LOCAL AGENCY FORMATION COMMISSION
COUNTY OF SAN BERNARDINO

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TO: **LOCAL AGENCY FORMATION COMMISSION**

SUBJECT: **Agenda Item # 9: Municipal Service Reviews and Sphere of Influence Updates for the Agencies within the Hesperia Community**

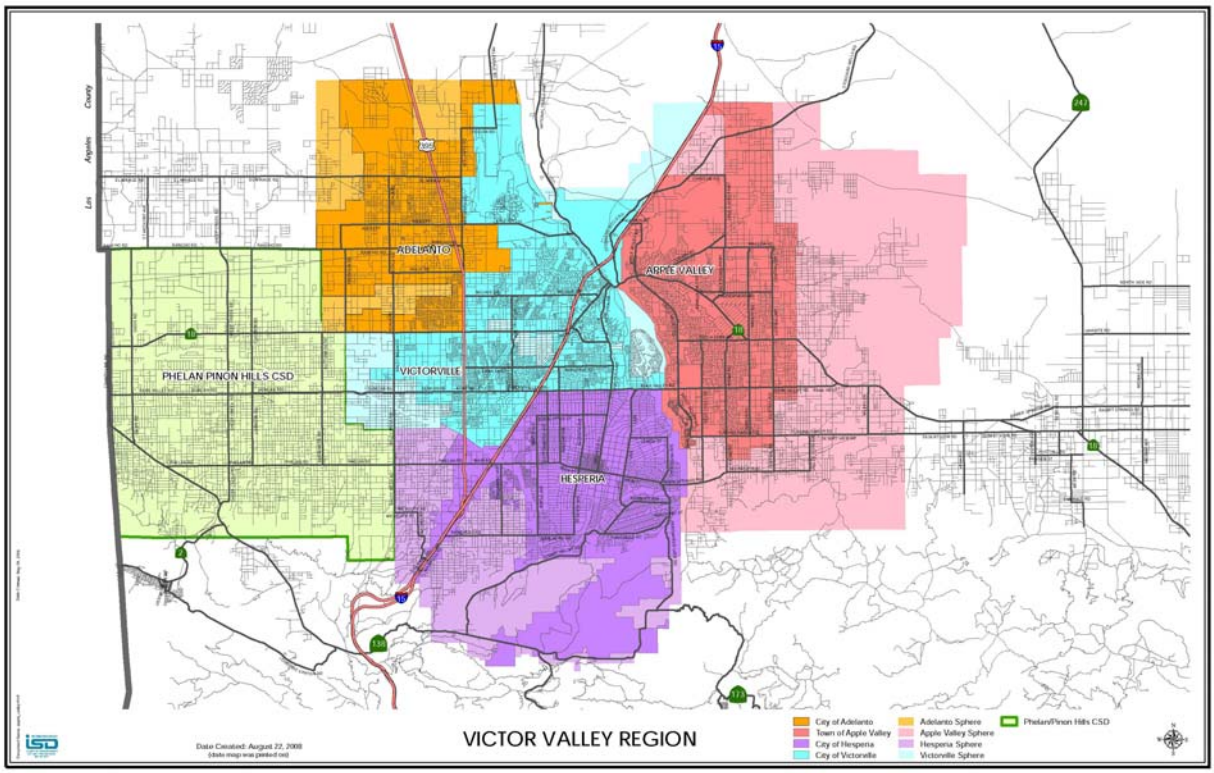
INITIATED BY:

San Bernardino Local Agency Formation Commission

INTRODUCTION:

San Bernardino LAFCO has chosen to undertake its Municipal Service Reviews on a regional basis, further refined by its community-by-community approach to sphere of influence identification. This report contains the municipal service reviews and sphere of influence updates for the public agencies within the overall Hesperia Community and includes municipal service reviews for four improvement zones of County Service Area 70.

LAFCO has defined the Hesperia community as the coterminous sphere of influence of the City of Hesperia, its subsidiary districts, and the independent Hesperia Park and Recreation district. Below is a map illustrating the City of Hesperia sphere of influence in a regional context, a copy of which is also included in Attachment #1.



The Hesperia community is served by multiple public agencies. The public agencies providing direct services to the residents and landowners within the community are:

City of Hesperia
Hesperia Fire Protection District (subsidiary district of the City) –
Actual service provided through contract with the San Bernardino County Fire Protection District and its North Desert Service Zone
Hesperia Water District (subsidiary district of the City)
Hesperia Recreation and Park District
County Service Area 70 Improvement Zone J (water)
County Service Area 70 Improvement Zone SP-2 (sewer)
County Service Area 70 Improvement Zone R-39 (roads)
County Service Area 70 Improvement Zone R-41 (roads)

Regional service providers include the Mojave Water Agency, the Mojave Desert Resource Conservation District, County Service Area 60 (Apple Valley Airport), County Service Area 70 (unincorporated County-wide), the San Bernardino County Fire Protection District and its North Desert Service Zone and the San Bernardino County Flood Control District.

COMMUNITY HISTORY:

The following provides a historic perspective of the community, and its history through the time of the City's incorporation is taken from the City of Hesperia website [1] and Wikipedia.

[1] City of Hesperia. website, http://www.ci.hesperia.ca.us/, Accessed August 22, 2008. Last update unknown.

The name of the community is reported to be Greek for “Star of the West” bearing reference to the Greek God “Hesperus”. In 1781 the original Spanish Land Grant, *Rancho San Felipe, Las Flores y Paso Del Cajon* defined the overall community; however it was only sparsely inhabited by Serrano Indians. After the United States annexed Southern California following the Mexican-American War of 1848 homesteaders began to occupy the area, predominantly Mormons dispatched from the Utah Territory. In 1847, the US & Santa Fe Railroad ran the first tracks through the area and upon completion of the depot in 1885; the area was officially named "Hesperia". Also in 1885, a gentleman named Joseph Widney acquired the township of Hesperia and shortly thereafter, he formed the Hesperia Land and Water Company for the purpose of creating a town. His subdivision crews laid out what was known as the Old Townsite and Hesperia became a reality.

Having laid out the Town, Hesperia Land and Water Company moved quickly to establish water rights with the County of San Bernardino and this initial water appropriation was, ironically, in an amount sufficient to service a population of 56,500 people; about two-thirds of the present day population of Hesperia. Aside from grape production, Hesperia's first real industry was established around 1890, when an enterprising businessman saw commercial possibilities in the large juniper bushes that dotted the Hesperia landscape. Contracting with Los Angeles bakers he began supplying them with wood as fuel for their bakery kilns, shipping 7 to 10 carloads of juniper cuttings to Los Angeles daily. Unfortunately, the juniper industry in Hesperia was short-lived as oil became the principal fuel for baker’s kilns in the early 1900s.

During the early 1900s, cross-country automobile travel brought visitors directly through Hesperia, the last major stopping point for automotive needs prior to crossing the dreaded Cajon Pass, with its narrow hairpin turns and steep roads. Unfortunately for local business, the Interstate Highway 66 ("Route 66”) was realigned to the west of Hesperia in 1924.

According to City staff, in 1954, the Hesperia Land and Development Company, owned by M. Penn Phillips, purchased the entire Hesperia Township, some 23,000 acres (T4N, R4W). Over the next five years, the township was subdivided and marketed to buyers in the Los Angeles area. The Company also established the Hesperia Golf Course and Country Club. Most of Hesperia’s streets, east of Maple Avenue, were laid out and constructed at that time.

Following a previous unsuccessful incorporation attempt, the City incorporated in 1988 with LAFCO and registered voter approval. According to the LAFCO staff report for the incorporation, the proponents of incorporation cited the desire for local control and the ability to provide increased services as the primary reasons for incorporation. An element of the City’s incorporation reorganization in 1988 established the Hesperia Fire Protection District as a subsidiary district of the City while detaching some portions of the City territory from County Service Area 38, and including it in the Hesperia Fire Protection District. The Hesperia Water District, Hesperia Recreation and Park District, and County Service Area 60 (airport) continued to overlay and serve the incorporated area as a function of the incorporation approval. A chronology of the major governmental events in the history of the community is as follows:

1957 The Hesperia County Park, Recreation, and Parkway District is formed which is reorganized in 1967 as a park and recreation district.

The Hesperia Fire Protection District is formed.

1970 LAFCO 926C - Zone of influence (the Commission's predecessor designation to a sphere of influence) established for the Hesperia Fire Protection District.

1971 The Board of Supervisors approves the formation of County Service Area 70 Improvement Zone J (hereinafter shown as CSA 70 Zone J) to provide for installation of a backbone water system to provide domestic water service for residents within the area of Oak Hills. The boundaries encompassed approximately 40 square miles. The railroads and Southern California Edison opposed their inclusion within the boundaries of CSA 70 Zone J to fund the backbone system to no avail.

1975 LAFCO 1497 – In response to the Victor Valley County Water District's annexation application to include the territory of the Hesperia community (LAFCO 1494), the Hesperia Municipal Advisory Council submits an application to form the Hesperia County Water District initiated by registered voter petition. Both proposals were conditionally approved by the County Board of Supervisors for placement as ballot measures subject to voter approval, with the measure with the least amount of votes not being effective. The formation of the Hesperia County Water District is chosen over the annexation to Victor Valley Water District and the assets of the Hesperia Mutual Water Company were acquired by the Hesperia County Water District.

The CSA 70 Zone J system comes on-line utilizing water received from the newly formed Hesperia Water District.

1973-78 In 1973, preparation of a Wastewater Facilities Plan was undertaken by the Mojave Water Agency to seek "Clean Water Grants" to construct a regional interceptor system and wastewater treatment plant. In 1975, the Hesperia Water District joined the regional planning effort. A special tax was established by Mojave Water Agency to finance the local share of the regional facilities. In 1977-78, the regional joint power agency was formed, Victor Valley Wastewater Reclamation Authority (VVWRA).[2] Therefore, the Hesperia Water District became the collection and transportation entity for wastewater from the community.

1977 LAFCO 1243B, 1244B, and 1665A – The Hesperia community is defined by LAFCO through establishment of coterminous spheres of influence for the Hesperia County Water District, Hesperia Fire Protection District, and Hesperia Park and Recreation District. The staff's recommendation at the time was that the whole of Zone J be included within the sphere due to the reliance of Zone J on Hesperia water for service. The Commission rejected this recommendation on the basis that the residents of Oak Hills (defined as

[2] City of Hesperia. 2008 Wastewater Master Plan.

35 registered voters) wished to pursue a county plan for their area in order to prepare for ultimate self-governance. The Commission placed the sphere of influence coterminous with the District's western boundary and included the requirement for an annual review of the division between agencies.

1978 LAFCO 1782 – Proposed the addition of park and recreation and sanitation powers for the Hesperia County Water District. The District acquired the area known as the Hesperia Trout Farm and Fish Hatchery and planned to provide park and recreation services at the site as authorized by Water District Law. The Hesperia Park and Recreation District consented to this proposal with the understanding that Water District Law restricted the provision of this service to the lands and lake area. Sanitation (solid waste) powers were added for the purpose of providing administrative and quality control of the area's sanitation service.

1982 LAFCO 2155 – The Commission approves the incorporation of the City of Hesperia but it is defeated at election. According to the LAFCO staff report dated October 14, 1987 for the incorporation of the City in 1988; there are numerous theories as why the first attempt at incorporation failed. It was argued that:

- Cityhood would be the catalyst for rampant urban development which would degrade the rural atmosphere which many citizens in the area wished to protect;
- Revenue forecasts for the new city were too high;
- The city would have to raise taxes to compensate for the shortfall; and,
- The new city could not hope to keep pace with the service needs of the community.

1986/87 The County Planning staff begins to review the possibility of developing a specific plan for the I-15/Highway 395 Corridor due to the increasing development pressures experienced. Through its many months of consideration, the County's proposal for formation of a county service area to fund the development of a specific plan for this 55 square mile area is set aside due to the need for resolution of the service delivery and infrastructure agencies to be determined by LAFCO.

1988 LAFCO 2440 – A citizens group submits a new application for the incorporation of the City of Hesperia with the Hesperia Fire Protection District proposed to be established as a subsidiary district. The boundaries encompassed approximately 50 square miles.

1988 The Commission, in response to the County's request borne out of the Specific Plan/CSA processing, initiates a sphere of influence consideration for the Cities of Victorville and Hesperia and their related community districts becoming commonly known as the "Golden Triangle" consideration. Seventy-five percent of the area of review is the service area of Zone J. The Commission's approval places the area east of Highway 395/I-15, north of the

section line one mile south of Ranchero Road, within the sphere of influence of the City of Hesperia and its related special districts.

1990 LAFCO 2592 - The Hesperia Water District is established as a subsidiary district of the City of Hesperia.

1991 A property owner initiated sphere of influence review for the northern portion of the Golden Triangle is considered (LAFCO 2677). This proposal transferred the northern sphere of influence from the City of Hesperia et al to the City of Victorville et al. This sphere transfer includes the portion of Zone J north of the Aqueduct.

Privately initiated proposal for a sphere of influence expansion (addressing the balance of Zone J) and annexations (to include territory on both sides of I-15 from the existing city boundaries to the Summit) are submitted to LAFCO. These proposals were terminated and returned to the applicant in September 1992 due to the failure to receive land use information necessary to complete the environmental processing of the proposals.

During this same period, property owners proposed LAFCO 2582 – Reorganization to include annexation to the City and related districts encompassing the development known as Rancho Las Flores. The specific plan adopted for this territory contemplates the potential of approximately 15,540 units and a 420 acre town center and the introduction of all municipal type services to the area.

1992 LAFCO 2733 - Registered voters within Zone J submit an application for the formation of a county service area for essentially the service boundary of Zone J plus an additional three square miles. The primary impetus of this application was to provide a funding mechanism for the preparation of a community plan for the community of Oak Hills. The proposal identified a per parcel assessment to pay for County Land Use Planning to prepare the specific plan with the only service requested to be authorized of “local area planning”. This proposal was denied by the Commission on May 19, 1992.

At the same time, the City of Hesperia initiates a sphere of influence proposal to include the balance of Zone J within its sphere of influence and that of its subsidiary and community districts (LAFCO 2736). This proposal was denied by the Commission on May 19, 1992.

1993 A committee is formed to study the possibility of incorporating the Oak Hills community. The preliminary information indicates that incorporation would not be feasible without the inclusion of special taxes or assessments to funds city services.

At the same time, the City of Hesperia initiates a sphere of influence expansion request for the west side of I-15 and a reorganization request to annex both sides of the I-15 corridor (LAFCO 2763 and LAFCO 2764).

Ultimately, the sphere of influence expansion request was approved with the condition that no annexations would occur within this area until a general plan amendment addressing the whole of the Oak Hills Community was reviewed and approved by the City of Hesperia. Therefore, the City withdrew its request for annexation.

2002 The City Council of the City of Hesperia adopts the Community Plan for the Oak Hills community, following many recommendations made by the Community Advisory Committee made up of members of the unincorporated Oak Hills community, City representatives, and County staff.

LAFCO 2888 – Annexation to the City and related districts which includes the development project known as Summit Valley Ranch. The Specific Plan for the project plans for 1,688 units and includes a school site, parks, golf course, and a commercial area. A habitat conservation plan is associated with this development project.

2003 The County of San Bernardino Board of Supervisors adopts a General Plan text and land use district map amendment to the County's 1989 General Plan, creating the Oak Hills Planning Area. In addition, the development standards of the Oak Hills Community Plan were incorporated into the County's Development Code. It did not adopt the Oak Hills Community Plan as the County's 1989 General Plan did not make provision for community plans.

2004 LAFCO 2952 – Annexation to the City and related districts of the Cataba Area. The community plan developed for this area required the extension of urban levels of water and sewer service. The extension of these services relies upon facilities which are within the City and its subsidiary districts.

LAFCO 2953 – Annexation to the City and related districts of the area known as the Freeway Corridor. The annexation application was supported by the Oak Hills Community Advisory Committee to transfer responsibility of the commercial, industrial, and higher intensity land uses to the City for increased levels of service. This annexation bisected CSA 70 Zone J splitting it into two systems. As a part of these annexations, agreements with CSA 70 Zone J were executed to facilitate the extension of water and sewer facilities in these areas and to provide connections to ensure the functionality of Zone J's water services.

LAFCO SC 226 – The Hesperia Fire Protection District enters into a contractual agreement with County Fire for fire protection, emergency medical, and ambulance services to be provided by County Fire.

The historical, social, and economic center of the community is the City of Hesperia, which is located 23 miles north of San Bernardino and 32 miles south of Barstow. The primary thoroughfare through the community is Interstate 15. U.S. Highway 395 and State Highways 173 and 138 also traverse through the community.

HESPERIA COMMUNITY

The Commission's policy guidelines for spheres of influence identify that its approach is defined as a "community-by-community" consideration.[3] This practice employs looking at the whole of the community as defined by the existence of inter-related economic, environmental, geographic and social interests. The Commission's concept is to take this definition designating the area as the sphere of influence for all related service providers.

The Hesperia community has been defined for over 30 years. In the late 1970s the community was defined as the coterminous spheres of the Hesperia Water District, Hesperia Fire Protection District, and Hesperia Park and Recreation District. Today, the community is defined as the coterminous spheres of the City and the before-mentioned districts.

Issues that require resolution by the Commission as a part of this Municipal Service Review and Sphere of Influence Update include:

1. **Discussion of the spheres of influence of the City of Hesperia and its community-based special districts, as their spheres in the south extend beyond the jurisdiction of the Mojave Water Agency (hereinafter shown as MWA) (a state water contractor) into the jurisdiction of the Crestline-Lake Arrowhead Water Agency (another state water contractor).**

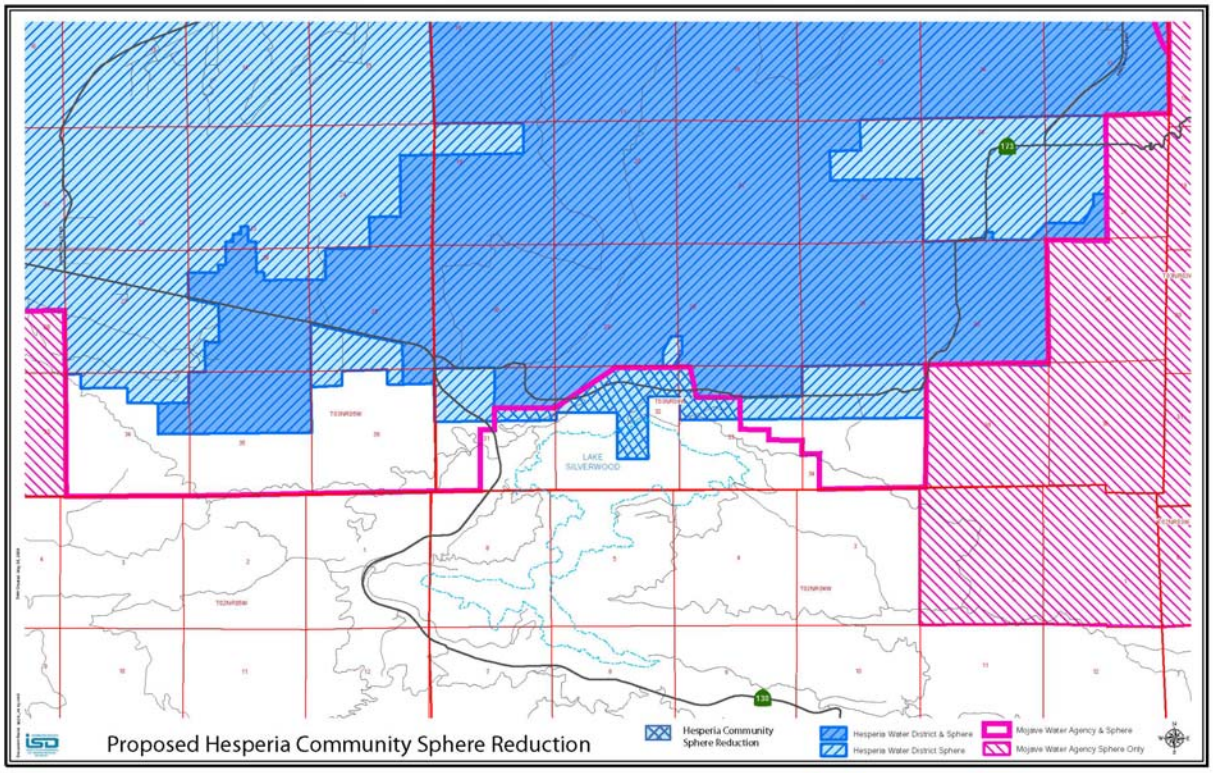
   As a part of the sphere of influence updates, LAFCO staff analyzed the spheres of influence of the City and its community-based special districts in relation to the jurisdictional boundaries and spheres of state water contractors. Analysis of the sphere boundaries of the City and Hesperia Water reveals that their spheres extend beyond MWA's jurisdictional boundaries and sphere in the Summit Valley area, as shown below and in Attachment #2, into the jurisdiction of Crestline-Lake Arrowhead Water Agency (CLAWA). The sphere expansion into this area took place in 1990 through LAFCO 2479A.

   A sphere of influence is a planning tool; it does not convey jurisdiction. However, it represents the probable future jurisdiction of an agency. Being such, LAFCO reviewed this circumstance with MWA staff. Two issues would arise if the area was eventually annexed by the City and Hesperia Water District. First, State Water Project water cannot leave the boundaries of a state water contractor. Supplemental water in the area in question would have to be supplied by CLAWA, which is not available at this location. Second, the Mojave Basin is adjudicated and pursuant to the Mojave Basin Area Judgment a party may not export water from the adjudicated area.

   Therefore, staff recommends a reduction of the City, Water District and other community based special districts spheres of influence by approximately 338 acres to be coterminous with the Mojave Water Agency's (MWA) boundary in the Silverwood Lake area (as shown on the map below). This will maintain the definition

[3] San Bernardino LAFCO Commission Policy Guidelines for Spheres of Influence

of the overall community of Hesperia through assignment of coterminous spheres of influence.



2. Sphere modification along the Mojave River to follow parcel lines.

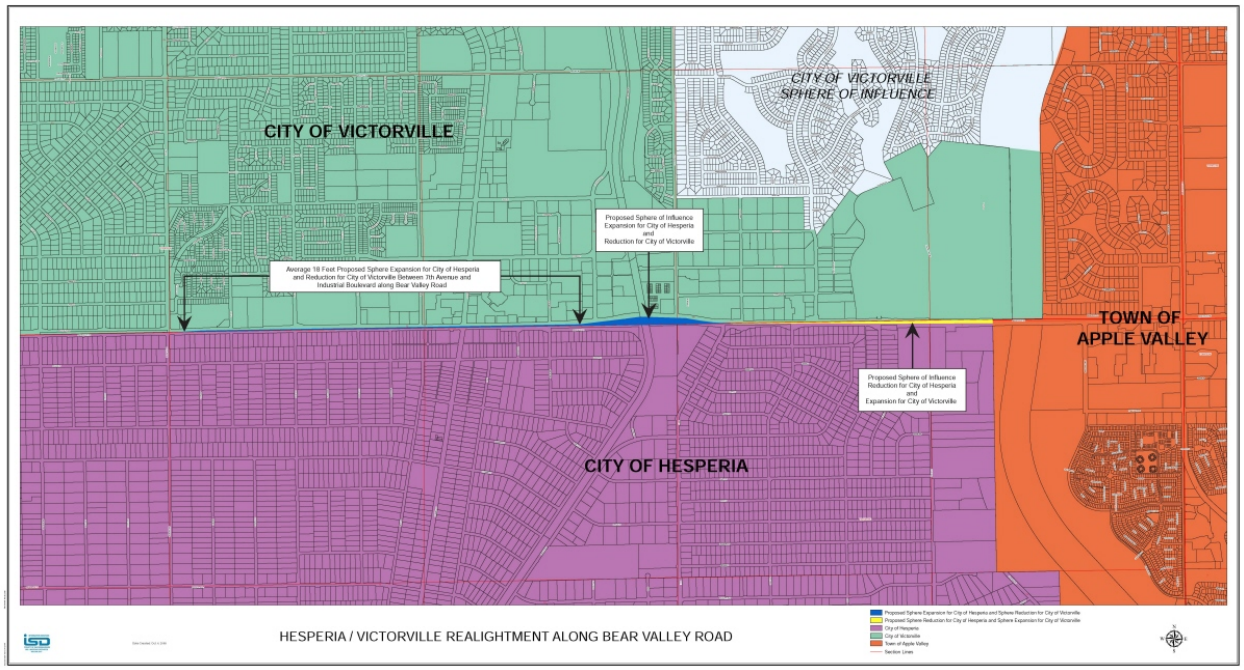
At the September 17 hearing, the Commission approved the modification of the spheres of influence for the Town of Apple Valley and Apple Fire Protection District along the Mojave River south of Bear Valley Road to realign the boundary along parcel lines. As discussed at that hearing, this realignment would place the territory within the sphere of influence of the service provider having physical access to the property without impediment from the Mojave River. At this hearing, the Commission is to consider modifying the spheres of influence for the City of Hesperia, Hesperia Water District, Hesperia Fire Protection District, and Hesperia Recreation and Park District to mirror the sphere modifications approved for the Apple Valley Community. The recommended changes along the Mojave River are shown in the respective sections of this staff report and are included as a part of Attachment #2.

3. Sphere modification along Bear Valley Road to follow the centerline.

In 1996 LAFCO received a request from the City of Victorville to investigate a problem with the boundary between the Cities of Victorville and Hesperia along Bear Valley Road. The problem stems from the placement of the City of Hesperia boundary at incorporation in 1988 using the southerly boundary of the City of Victorville as the northern boundary of the City of Hesperia. This line followed a

section line. At the time, this section line was purported to be the centerline of Bear Valley Road, a major east-west roadway in the area.

However, the widening of Bear Valley Road during the 1990s resulted in its realignment and the transfer of the centerline of the roadway at odd locations along this stretch of the boundary. The City of Victorville at that time inquired into the process of correcting the boundary to follow the center line of Bear Valley Road and notified LAFCO staff that it would coordinate with the City of Hesperia regarding this issue. Since that time, LAFCO staff has not received any further inquiries from either city regarding this issue and understands that the issues of pavement type and signaling are being resolved. LAFCO staff is recommending a modification to the spheres of influence for the Cities of Hesperia and Victorville to follow the centerline of Bear Valley Road. Letters of consent from all affected parties to the sphere modification is included as a part of Attachment #2. The sphere modification is shown below and included as part of Attachment #2.



CITY OF HESPERIA

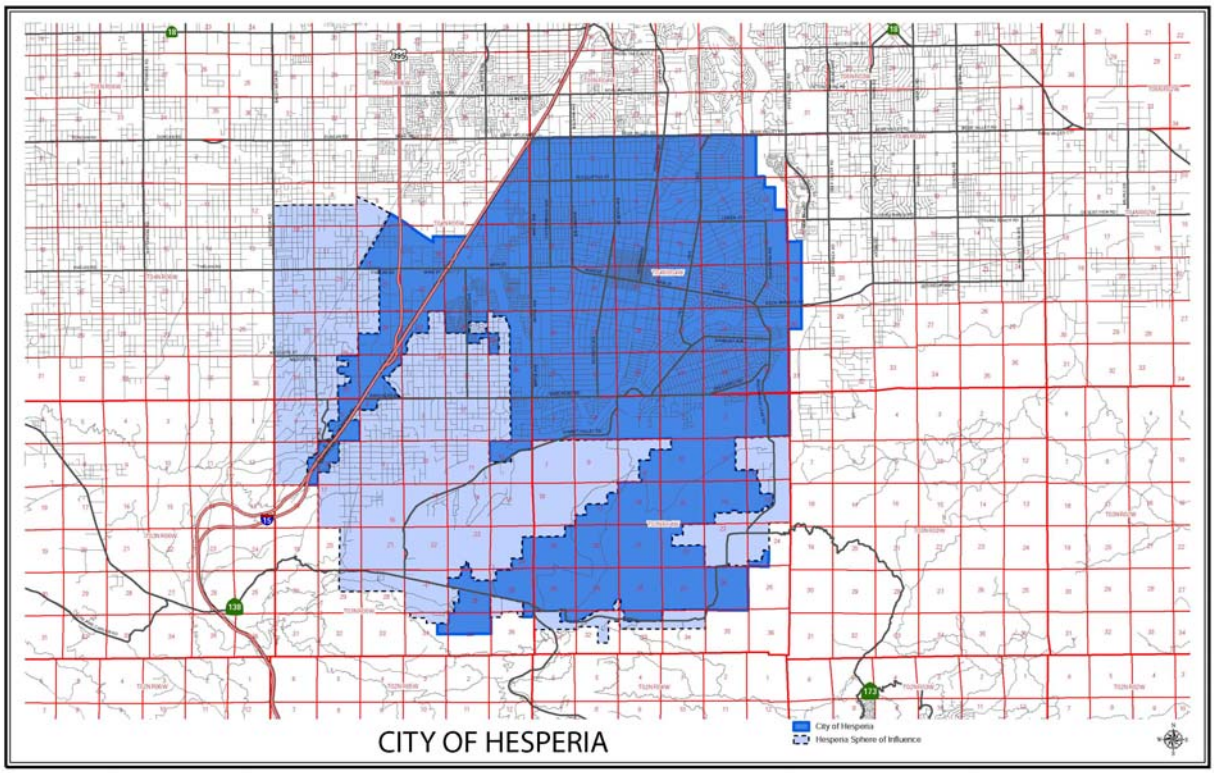
INTRODUCTION:

LAFCO 3035 consists of a municipal service review pursuant to Government Code Section 56430 and sphere of influence update pursuant to Government Code 56425 for the City of Hesperia (City). The City's response and supporting materials are included as Attachment #3 to this report and are briefly summarized in the information below.

The City is a general law municipality with a five member City Council incorporated in 1988 following both LAFCO and local voter approval. The City encompasses approximately 75 +/- square miles making it one of the largest incorporated California jurisdictions, and its sphere extends an additional 37 square miles. In 1980 the City's population was 13,540. Since that time, growth in the area now known as the City's corporate limits has increased dramatically. In 1990 the population grew to 50,418, almost four times its 1980 population and in 2000 the population was 62,582. The growth of this community has continued to an estimated population of 85,876 in 2007.

BOUNDARIES:

The service review and sphere study area includes the corporate boundaries of the City and its sphere of influence which includes the unincorporated communities of Oak Hills and Summit Valley. The study area is generally east of the Phelan Piñon Hills Community Services District, south of the City of Victorville, west of the Town of Apple Valley, and north of the National Forest. The area is generally bordered by a combination of the Phelan Piñon Hills Community Services District, section lines and half section lines of the west; the City of Victorville and its sphere of influence on the north; a combination of the Town of Apple Valley, its sphere of influence, and section and half-section lines on the east; and a combination of half-section lines and parcel boundaries which traverse along the courses of Highways 173 and 138 on the south. Below is a map of the City's current boundaries and sphere.



As discussed in this report, LAFCO staff is recommending minor modifications to the City's sphere of influence along its eastern boundary to clarify service delivery along the Mojave River generally following parcel lines south of Bear Valley Road and a sphere reduction of approximately 338 acres in the Silverwood Lake area in its southern sphere of influence.

MUNICIPAL SERVICE REVIEW SUMMARY

The City prepared a service review consistent with LAFCO's policies and procedures and the factors required by Government Code Section 56430. The City's response to LAFCO's original and updated requests for materials includes, but is not limited to, the City's budgets and comprehensive annual financial reports.

<u>Growth and population projections for the affected area.</u>

Within the City

According to the State Department of Finance, the City had an estimated population of 85,876 in 2007.[4] The City's population projections, which were developed using the Southern California Association of Government (SCAG) projections, are listed in five-year increments, as follows:

[4] State of California, Department of Finance, *E-4 Population Estimates for Cities, Counties and the State, 2001-2007, with 2000 Benchmark. Sacramento, California, May 2007.*

2010 – 95,800 2025 – 159,638
2015 – 117,568 2030 – 179,383
2020 – 139,049

The City General Plan identifies the build-out population of the City at 253,968 persons. Given current land use designations, the City should not reach build-out by 2030.

Within Sphere of Influence

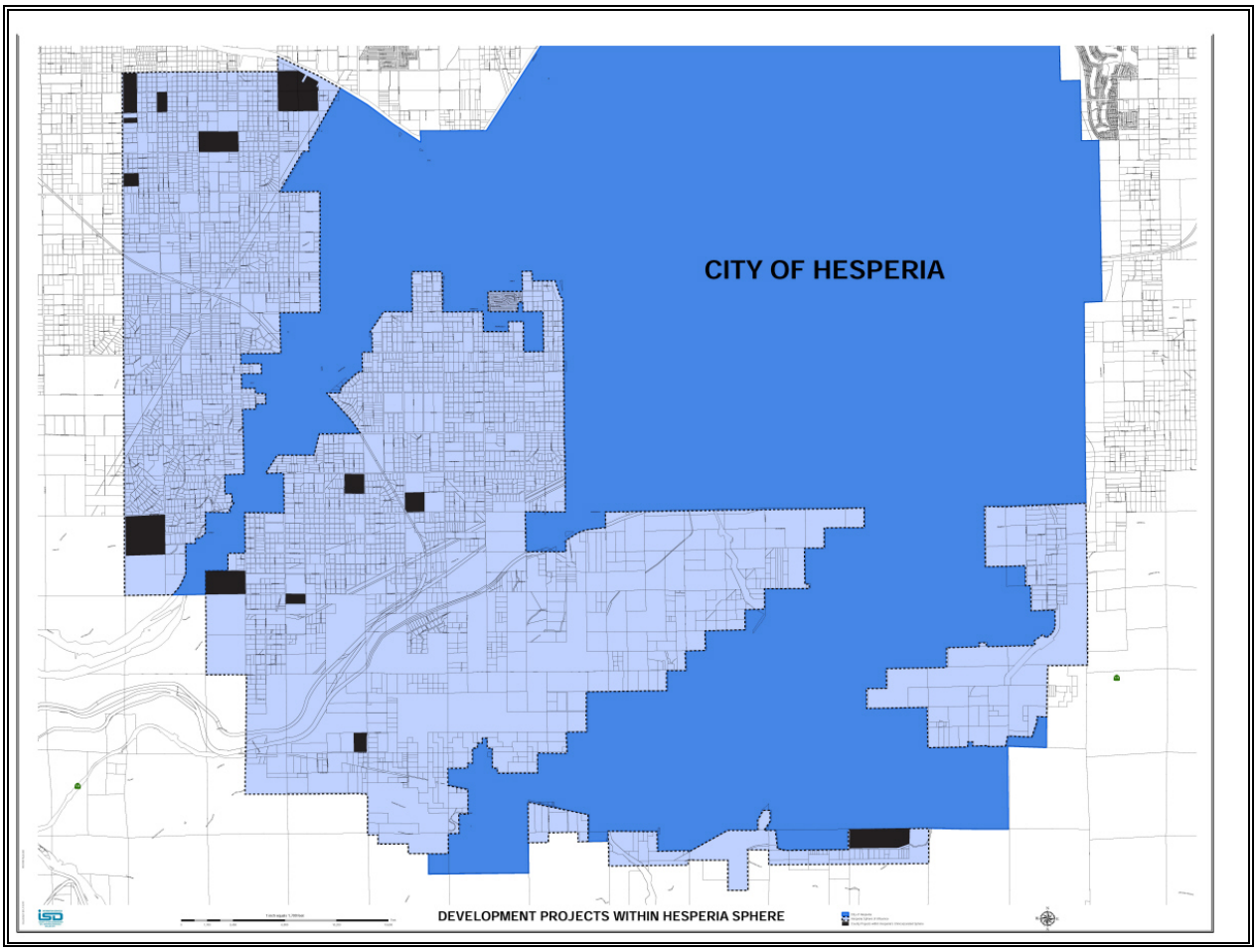
Located south of the City within its sphere, Summit Valley is an area of significant potential growth. The City's General Plan for this area requires comprehensively planned development. The area has few paved roads and little infrastructure; therefore the preferred method of development is through the specific plan[5] or planned development process. Since the City's incorporation in 1988, three specific plans have been approved in Summit Valley: Rancho Las Flores, Summit Valley Ranch, and Bella Mesa. These plans combine for a total of 20,000 dwelling units. Another specific plan has been submitted, but not yet processed, known as Majestic Hills, which proposes 4,000 dwelling units. Further, the Oak Hills Community Plan sphere area could add an additional 12,000 persons (4,478 dwellings units) by 2030 according to City staff. Together, all four specific plans and Oak Hills could add 28,478 dwelling units. Utilizing the County General Plan's 2.68 persons per household for the Desert region calculates to an additional 76,321 persons.

Additionally, LAFCO staff has received project notices which anticipate General Plan Amendments, tentative tract developments, and Conditional Use Permits for increased residential development in the sphere area. A review of the project notices on file that have been submitted for County Land Use Planning review from 2004 through present indicate the potential for creation of 1,060 lots. The larger of these projects include the following:

PROJECT NAME	YEAR SUBMITTED	NUMBER OF RESIDENTIAL UNITS/LOTS
Tract 17598	2006	216 lots
Tract 16902	2004	114 lots
Tract 18533	2007	60 lots
Tract 16544	2006	32 lots

The figure below shows the location of the major projects submitted to the County Land Use Services Department since 2004:

[5] The Specific Plan is just a step below the general plan in the land use approval hierarchy, and is used for the systematic implementation of the general plan for particular geographical areas. source: Curtin, Daniel, J. and Cecily T. Talbert. California Land Use and Planning Law. Solano Press Books. Point Area, CA (2005). See also Government Code §65450 et seq.



Adding the 28,478 dwellings units for the four specific plans and Oak Hills, and the 1,060 lots for the projects submitted for County Land Use Planning review, calculates to 79,162 additional persons within the sphere.

Historical trends indicate moderate to high growth within this area, and significant growth continues within the City's boundaries and its sphere. In addition to residential development in the sphere, new industrial and service-oriented developments are planned, along with a major regional circulation improvement called the "Freeway Corridor". These future projects will increase the need for public services within the existing City boundaries as well as within the unincorporated sphere area.

<u>Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.</u>

Currently, police and fire services adequately serve the area. The City Police Department is responsible for providing law enforcement and public safety services within the City. The City contracts with the County Board of Supervisors for the County Sheriff to provide law enforcement services within the City and has done so since 1988. The contract has no sunset date, is revised annually, and can include annual increases in payment. For FY 2008-09, the contract will increase by 4.5% or $480,767 to $11.2 million. In FY 2007-08, the Department added six deputy sheriffs. Currently, the City Police Department has a staff

of 75 of which 57 are sworn officers. Additionally, the City has initiated a Neighborhood Enhancement Program. This program has been in place since and operation since 2006. It targets crime, blight, and one of the target areas is the original Township area (east of the civic center).

The Hesperia Fire Protection District, a subsidiary district of the City, has contracted with County Fire to provide fire protection services within its boundaries since 2004. The out-of-agency service contract was determined to be exempt from LAFCO review, LAFCO SC# 226, for fire protection, emergency medical, and ambulance services. Further information on fire services and this contract are presented in the municipal service review and sphere of influence update discussion which follows for the Hesperia Fire Protection District.

Generally, retail water is provided within the City limits by the Hesperia Water District, a subsidiary district of the City, and to the unincorporated Oak Hills area by County Service Area 70 Improvement Zone J. Further information on water service is presented in the Water Discussion section of this report.

Sewer collection and transportation is provided within City limits by the Hesperia Water District, and with some municipal-level sewer service in the sphere area. Further information on sewer collection and transportation is presented in the municipal service review and sphere of influence update discussion which follows for the Hesperia Water District.

Park and Recreation service is provided by the Hesperia Recreation and Park District, an independent special district, within City limits and to portions of the sphere area. Further information on park and recreation service is included in the municipal service review and sphere of influence update discussion which follows for the Hesperia Recreation and Park District.

Roads

The City is in the ninth year of the Street Improvement Project. In 2000 the City Council implemented a dedicated residential street improvement program due to the deterioration of city streets. The program has grown and is a priority of the Council. Included in the annual capital improvement program is a schedule for reconstruction and repaving of streets, based on use and condition. Since FY 2000-01, the City has spent over $50 million to pave 254 miles of road. For FY 2008-09, the City plans to pave an additional 36 miles. The project history is as follows:

City of Hesperia Street Improvement Project History

Year	Miles Paved	Slurry Seal Miles *	Potholes Filled
2001	18.0	0	84,192
2002	19.4	0	80,000
2003	16.5	0	51,000
2004	17.1	0	46,000
2005	18.2	12.4	89,000
2006	51.1	14.2	60,000

2007	57.0	11.0	61,000
2008	57.0	4.0	--
2009 (Budgeted)	35.6	0	--
Nine Year Total	**289.9**	**41.6**	**471,192**

* Slurry seal is a coating applied to the pavement to protect the undersurface from the effects of aging and the environment.

The Interstate 15 project was completed in 2006 at a cost of $9.5 million. The project replaced a two-lane overpass on Main Street with a new overpass that has six lanes. The northbound and southbound ramps were modified as well.

Within the unincorporated Oak Hills community, the County has a developer fee plan to fund the construction of new roadways and transportation facilities in Oak Hills. The need for the roads and facilities is related to new residential and commercial development because such new development will bring additional people and vehicles thus creating more traffic. The fees are charged to new commercial and new residential development projects, including single family homes and mobile homes. A copy of the "Oak Hills Transportation Facilities Plan Zone A and Zone B" is on file at the LAFCO office and available at the County Land Use Services Department and on its website. According to County Department of Public Works staff, this plan is in the process of being revised due to changes in growth patterns and construction costs.

Ranchero Road Underpass and Grade Separation Project

This project will create a new east-west access along Ranchero Road. This will relieve congestion and improve emergency response times on both sides of the railroad tracks that bisect the City. Federal and State grants will provide $10 million for this $20 million project. The Ranchero Road Grade Separation Project (Project) involves the installation of a new crossing under the Burlington Northern Santa Fe (BNSF) Railroad at the extension of Ranchero Road. Currently, Ranchero Road terminates at either side of the railroad right-of-way. The new grade would eliminate the flooding potential of Ranchero Road where it crosses the Antelope Valley Wash; the current roadway crosses the wash at-grade. This project also includes the installation of new drainage facilities to divert storm flow towards the Antelope Valley Wash.

Plans and Studies

The City is conducting two planning efforts. First, the Main Street/Freeway Corridor Specific Plan covers approximately 10,000 acres along the City's two main thoroughfares. The City proposes to revitalize and develop the Main Street and Interstate 15 Freeway corridors pursuant to the proposed specific plan with a range of uses, including industrial, commercial, civic, institutional, residential mixed-use, and parks/open space. The Plan was adopted by the City Council on September 16, 2008 and will be effective on October 16, 2008.

Second, the City has initiated a General Plan update for the entirety of the City and its sphere. The Update will incorporate the Freeway Corridor Specific Plan. The General Plan is anticipated to result in a one-map system to bring consistency to the City's current zoning and land use maps. Completion is anticipated by Fall 2009.

State Responsibility Areas

The territory of the southern City sphere of influence is within the area defined as "State Responsibility Area" by the California Department of Forestry and Fire Protection (hereinafter Cal Fire). The last three annexations to the City and the Fire District were designated as "State Responsibility Areas" for wildland fire protection purposes by Cal Fire. Upon annexation to the City, this designation was removed and the financial obligation for this type of fire protection transferred to the City. The City and the Fire District agreed to split the costs for wildland fire protection which would accrue through annexation of these areas.

Financial ability of agencies to provide services.

Revenues

The City's primary sources of revenues are sales and use taxes, property taxes including the property taxes in-lieu vehicle license revenues, development impact fees, and franchise fees. The Redevelopment Agency's revenues primarily consist of the property tax increment. Street related funds include Measure I, gas taxes, local transportation funds, and development impact fees.

Currently, the City only receives 1.59% of the general tax levy within the boundaries of its major Tax Rate Areas and areas of annexation prior to 2004. This rate is one of the lowest in the County for a municipality. Under the County's Revenue Enhancement Program, adopted in 2004, the cities' share of the general levy increases to 7% for newly annexed areas. The areas that benefited from the increased tax share are the Cataba area (LAFCO 2952) and the Freeway Corridor (LAFCO 2953). The annexation of Summit Valley Ranch (LAFCO 2888) did not benefit from the increased tax share at the time its property tax transfer was determined; however, it was acknowledged that once a new formula was established its transfer would be renegotiated. According to City staff, updated County Revenue Enhancement Program agreements are scheduled for review by the City Council on November 4, 2008. Additionally, the City negotiated with the County for a new tax share agreement for undeveloped property within the City's jurisdiction. These revenue enhancement zones are for areas that are undeveloped, not in a redevelopment area, and are 20 acres or larger. The City applied for this program and was approved for the Rancho Las Flores Area.

The County has designated that its High Desert Government Center will be built in the City of Hesperia near the Hesperia Branch Library and City Hall. The County allocated roughly $20 million for the construction of the 55,000 square foot building. The placement of the Center in the City has the potential to foster commercial growth in the area. This could lead to significant sales tax revenues for the City and could bring an estimated 300 jobs to the City.

The City has raised its Development Impact Fee (DIF) considerably since incorporation. In 1992, the DIF was $1,000 for a single-family residence with five increases through 2007. In order to comply with the San Bernardino Associated Government's nexus study requirements for transportation funding, as well the increase in public safety fee, the DIF is

now $13,198. Portions of the fee continue to fund construction for expansion of streets, drainage, fire, police, and public services. For FY 2006-07, income in the Development Impact funds had a combined surplus of $5.2 million.

Prior Fiscal Challenges

In the 1990s the Hesperia Redevelopment Agency, Hesperia Water District, and Hesperia Fire Protection District were facing stiff financial challenges. A review of the financial records and the materials submitted by the City credits the financial turnaround to the City's policy of placing ten percent of its revenues in reserves, restricting hiring, and providing for no personnel raises during these times. Further, a review of the property tax levies and collections of the City for the past ten years available shows a dramatic increase in the amount of tax revenue available to the City during the residential housing boom period. In 1988, the year of incorporation, total collections were about $3.7 million. This figure has jumped to about $32.0 million for FY 2006-07. While the City also experienced a corresponding rise in expenditures to address the population increases, the sharp yearly increases in property tax receipts helped the City achieve fiscal solvency.

Audit

Highlights from the City's comprehensive annual financial report for FY 2006-07 are:

- Net assets increased 22.1% from $177.6 million to $216.8 million, mostly attributed to the City's growth in capturing increased sales tax and the new Library and Civic Plaza.

- Taxes and other governmental revenues exceeded expenses by $32.7 million due to the City's growth and ongoing development activity.

- Total cost of all City programs was $78.7 million, an increase of $22.8 million or 40.7% from prior year. The increase is attributed to the increased spending ($15 million) in the Development Services function which oversees the City's infrastructure expenditures.

- For the General Fund, actual resources available for appropriation exceeded final budget by $3.1 million while actual appropriations were $3.3 million less than final budget.

Given the current housing slump and economic downturn, the City is anticipated to face economic strains. In FY 2006-07 the City experienced a 61% decrease in the number of single-family residential permits and 80% decrease in commercial building permits over the prior year but 28% growth in multi-family construction. Sales tax for the same year increased by 9% but the audit attributes the increase to the increase in population and home construction. The FY 2007-08 budget was adopted with a General Fund cash reserve of approximately 35% of budgeted expenditures, and these reserves will help provide the cushion that is needed to get through until the housing sector picks up.

Budget

Moving into the FY 2008-09 budget, when compared to FY 2005-06, the overall combined City revenue for the current fiscal year is expected to increase by 19% or $20 million. However, in comparison to the FY 2007-08 budget, revenue is lower by three percent or $4 million with increases to the redevelopment agency, water district, and fire district offsetting decreases in the general fund and street-related funds. The City's budget indicates that all development related revenues are down 33% from FY 2007-08 and that condition is carried into the current year's estimates. Sales and use tax revenues for the year are projected to decrease by 13% or $1.1 million. In November 2006, the City's voters increased the Transient Occupancy tax from 7% to 10%. This increase is expected to bring in an additional 48% in revenues for that source. The High Desert Gateway regional shopping center, which includes a Target, will capture additional sales tax revenues that had previously been lost to neighboring cities when a full year's worth of sales tax is realized. Overall expenditures have decreased by four percent, or $8.8 million. Each department has reduced expenditures, except for the police department and redevelopment agency. Cash reserves in the general fund have increased to 35% of expenditures.

Cash not required for immediate use is invested with the State of California Local Agency Investment Fund (LAIF). For FY 2006-07, the average yield on cash invested in LAIF during the year was 5.11%.

Capital Improvement Budget

In the documents submitted for this review, the City has identified that the capital improvements planned will benefit the City and sphere as future residents in Oak Hills and Summit Valley are expected to utilize services available in the City. The budgeted CIP categories for the fiscal year are:

C I P Major Categories	Projects Completed in FY 2007-08*	Projects Continued in 2008-09 Budget	New Projects Included in 2008-09 Budget	New & Continued Projects Included in 2008-09 Budget
Streets C I P Projects	$7,170,162	$32,759,000	$10,659,895	$43,418,895
Storm Drainage	78,000	10,050,000	0	10,050,000
Facilities	3,412	16,749,500	125,000	16,874,500
Water	1,107,107	8,910,000	500,000	9,410,000
Sewer	521,194	1,675,000	975,000	2,650,000
Total C I P Projects	**$8,879,875**	**$70,143,500**	**$12,259,895**	**$82,403,395**

* May include projects that are not yet completed but have been suspended and will resume in future years.

Significant projects budgeted within the past few years are:

- Main Street freeway interchange (completed)
  Ranchero Road improvements from Seventh Avenue to Mariposa Road

Project study reports for the Muscatel freeway interchange and Joshua freeway overpass/offramp
Ranchero Road freeway interchange

- Main Street corridor design from 11th Avenue to Highway 395
- Main Street Drainage Crossing – The City is designing and constructing a box culvert to convey major storm flows under Main Street along a significant drainage course (H-01 Line).
- Relocation of the Sheriff's station – the current facility is technologically outdated and the size of the facility is inadequate. The City plans to build a new station near City Hall.

Long-Term Debt

The City has long-term debt for its governmental and business activities. The long-term debt for the governmental activities as of June 30, 2007 was $76,545,968. In 2005, the Hesperia Public Financing Authority issued, on behalf of the Hesperia Community Redevelopment Agency, $49.3 million in tax allocation bonds, Series A and B. The proceeds of the Series A bonds were used to refund the Senior Revenue Bonds, to repay loans made by the City to the Agency, and to provide funds for redevelopment project activity. Of the $49.3 million, the largest debt item is roughly $38.7 million and is a Series A bond with annual payments ranging from $675,000 to $2,415,000. The long-term debt for business activities totals $18,351,335 with the largest being roughly $14.7 million. This is a 28-year 1998A variable rate lease revenue refunding bond to refund a 1991 Certificate of Participation issue.

Pass-Through

LAFCO staff requested information from the City Finance Department related to the receipt of pass-through revenues from redevelopment activities. The budget materials submitted by the City identify the pass-through revenues for the City's Redevelopment Project areas. However, the City, Hesperia Water District, and Hesperia Fire Protection District are eligible for receipt of pass-through revenues from the Victor Valley Economic Development Authority (VVEDA) which is operated by the City of Victorville. During discussions of the dissolutions of the three Victorville subsidiary special districts correspondence provided to LAFCO staff from the firm of Rosenow Spevacek Group Inc. (the firm which provided the information for pass-through agreements for the Victor Valley Economic Development Agency, a redevelopment agency), dated May 15, 2008, which identified that the pass-through required from VVEDA for the subsidiary districts, was provided directly to the City of Victorville as a lump sum. In discussions with LAFCO staff, the City has indicated that it is not aware of any requirement to apportion these redevelopment revenues to the subsidiary districts. LAFCO staff disagrees, since redevelopment pass-through funds are determined based upon tax increment growth of the ad valorem property tax. The City and the subsidiary districts have a percentage share of these ad valorem dollars which should be attributed to the pass-through amount received. City staff has indicated that if such an apportionment were required, the data from VVEDA as to the basis for allocation to the City and the subsidiary districts would need to be provided.

Appropriation Limit

Action taken on June 17, 2008 by the City Council set the appropriation limit for the City at $64,167,469 for Fiscal Year 2008-09.

Status of, and opportunities for, shared facilities.

The City consolidates the management of the Hesperia Water District, Redevelopment Agency, and Hesperia Fire Protection District at the new City Hall. When the new Public Works building is completed, it will house the Hesperia Water District, street maintenance operations, and record archives.

The Regional Wastewater Reclamation Facility is shared with the other participants in a joint powers authority, the Victor Valley Wastewater Reclamation Authority (VVWRA). The VVWRA is a Joint-Powers Agency created expressly for the purpose of treatment of wastewater through a regional facility and the ultimate disposal of effluent and solids.

According to City of Hesperia staff, the City owns the land for the last two parks constructed, Malibu Park and Civic Plaza. The land for each park is then leased to the Hesperia Recreation and Park District (District) for one dollar per year.

- Hesperia Civic Plaza Park (Downtown Community Park) – located just west of City Hall, completed in June 2008 in cooperation with the City. The park has an amphitheater, walking paths, a reflection garden, water features, and activity areas. Even though the City owns the land, the park was constructed with City and District funds. LAFCO staff is aware that the City and the District are discussing options for the ongoing maintenance of the Park, which include the City maintaining ownership and the District performing maintenance and upkeep.

- Malibu Park – construction completed by the developer of the Mission Crest Project by Empire, which was conditioned by the City as a part of development approval. The park is located between Interstate 15 and Escondido Avenue, south of Main Street.

Accountability for community service needs, including governmental structure and operational efficiencies.

Local Government Structure and Community Service Needs

The City is a general law city and is governed by five council members elected at large to four-year staggered terms. The Mayor is appointed annually by and from the City Council. The City Council also serves as the Board of Directors of the Hesperia Water District, the Hesperia Fire Protection District, the Hesperia Community Redevelopment Agency, Hesperia Financing Authority, and the Hesperia Public Facilities Corporation. Below is the composition of the current council, their positions, and terms of office:

Council Member	Title	Term
Mike Leonard	Mayor	2008
Thurston Smith	Mayor Pro Tem	2010
Tad Honeycutt	Council Member	2008
Ed Pack	Council Member	2010
Rita Vogler	Council Member	2010

City council meetings are held the first and third Tuesday of each month at the Hesperia City Hall at 6:30 p.m. The City complies with the Brown Act, and the public is welcome. The City Council convenes separate meetings as the Council or the respective board of directors. For certain items of common interest, joint meeting are held. Meetings are available on the City website.

Each year the proposed budget is presented to the City Council during a public hearing, and the budget is adopted each year by the Council/Boards through resolution. The City publishes a quarterly newsletter, which is mailed to all of the postal addresses within the City. Of note for financial accountability, the City has received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for five straight years.

Operational Efficiency

Operational efficiencies are realized through several joint agency practices. For regional activities:

- The City is a participant in the Victor Valley Economic Development Authority, a joint powers authority comprised of the Town of Apple Valley, Cities of Victorville and Hesperia, and the County to coordinate the transition of George Air Force Base from military to civilian use and its ultimate redevelopment as a regional international airport.
- The City is also a member of the Victor Valley Transit Authority whose members are the same as the Victor Valley Economic Development Authority. The purpose of this authority is to implement a public transit system to serve the Victor Valley and to provide connecting services to other areas.
- As mentioned above, the City is a member of the Victor Valley Wastewater Reclamation Authority (VVWRA).
- The City is a participant for the future High Desert Corridor with the County and the Cities of Victorville and Adelanto and Town of Apple Valley.

The City is a member of the Public Agencies Self-Insurance System (PASIS), a joint powers authority of eight California cities and districts, for the purpose of pooling the risk for workers compensation insurance with those of other member cities and districts. The City is also a member of the Public Agency Risk Sharing Authority of California (PARSAC), a joint powers authority for the purpose of achieving savings on insurance premiums for general liability, employment practices, and property insurance.

The City cooperates with other agencies in the community to maximize efficiencies, for example:

- The County to pave roads that improve circulation to the City and its unincorporated sphere such as Mesquite Street and Summit Valley Road, and the widening/improvement of Ranchero Road from Mariposa Road to Seventh Avenue which is currently under design.

- Water and Sanitation Division of the County Special District Department (administrator of CSA 70 Zone J) to provide water to portions of the Oaks Hills area.

- Hesperia Recreation and Park District to plan the new Downtown Community Park. The Park has an amphitheater, walking paths, a reflection garden, water features, and activity areas to address a more urban park need. The park was opened in the summer of 2008.

- Hesperia Unified School District and the Hesperia Recreation and Park District to establish new parks and school sites, in conjunction with new development.

- The City also provides administrative services such as budget, accounting, personnel, and legal services to the other agencies for which it is responsible.

Government Structure Options

There are two types of government structure options:

1. Areas served by the agency outside its boundaries through “out-of-agency” service contracts;

2. Other potential government structure changes such as consolidations, reorganizations, dissolutions, etc.

Out-of-Agency Service Agreements:

The City has indicated that it does not currently provide service outside its boundaries.

Other Government Structure Options:

While the discussion of some government structure options may be theoretical, a service review should address possible options.

- Expansion of the City to encompass the entirety of its sphere. In the materials provided, the City did not discuss this option. For the Oak Hills area, the basic pattern of land uses has been agreed upon by the City and the County through the Oak Hills Community Plan. Therefore, there would be no change in the basic pattern of land use designations if the area was annexed by the City. This option is viable, but unlikely at this time, due to the longstanding opposition of the Oak Hills residents to inclusion within the City. The balance of the sphere of influence

related to the Summit Valley area would require massive infrastructure development in order to be served, which would preclude annexation at this time.

- Hesperia Recreation and Park District (District) becoming a subsidiary district of the City. Legal requirements for establishment of the District as a subsidiary district of the City are:

    - at least 70% of registered voters in the District must reside in the City; and,

    - at least 70% of the District's territory must also be within the boundaries of the City.

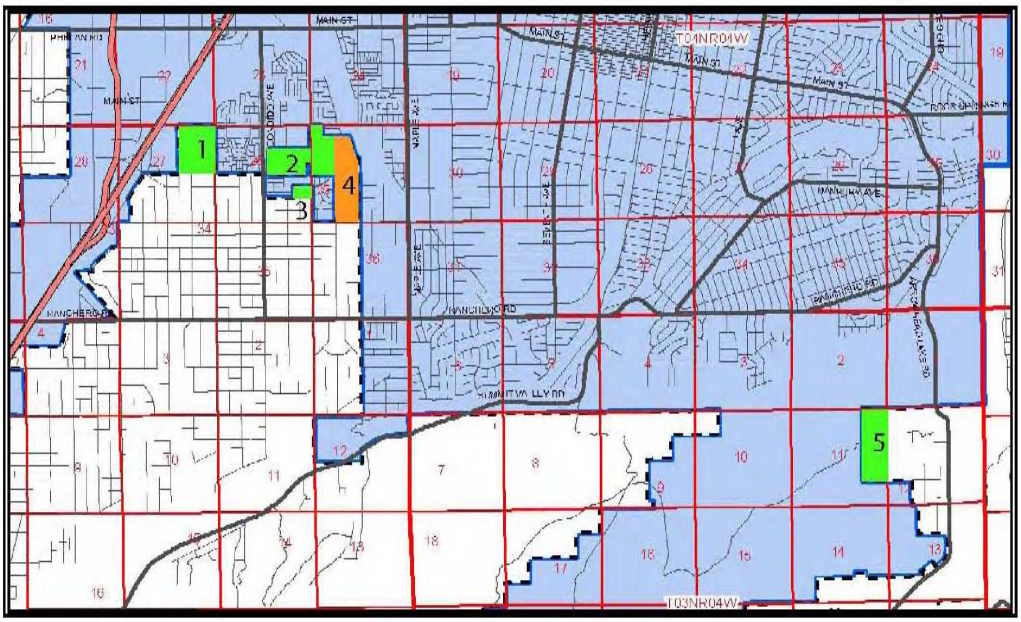
  LAFCO staff has verified that both requirements are currently satisfied; therefore, the District is eligible for establishment as a subsidiary district of the City. In order for subsidiary status to be established, an application needs to be submitted to LAFCO requesting such an action be taken along with submission of a plan for services. In this option, the District would continue to exist, the facilities would remain in the name of the District, and the taxes and assessments would still be received by the District. The change comes in the form of governance – the District would be governed by the City Council sitting as the ex-officio members of the Board of Directors. According to the materials provided by the City, at the present time neither the City Council nor the District Board has taken a formal position regarding this possibility.

- Dissolution of the subsidiary districts, Hesperia Water District and Hesperia Fire Protection District, whereby the City would be directly responsible for providing water and fire protection services. This option is discussed further in the respective sections of this report for the mentioned subsidiary districts.

- Maintenance of the Status Quo in general, no change in sphere of influence or range of services. This is the option supported by both LAFCO staff (with minor changes along the Mojave River and to the south) and the City of Hesperia.

An additional element of consideration is to review the issue of "islands" within the existing boundaries of the City of Hesperia. Pursuant to Commission directives, when requesting approval of development related annexations, a city must address its totally and substantially-surrounded islands. The City of Hesperia's islands were outlined in the Commission's general discussion of the islands and its policies at the Workshop held on March 31, 2005. LAFCO staff's analysis indicates that there are currently five areas that meet the requirements of being an "island" as defined by Commission policy and Government Code Section 56375.3. In the materials provided for this review, the City indicates that these islands will require future action by the City Council, but it provided no timeframe for such an action. LAFCO staff has identified that should a development related application be brought forward, the LAFCO staff would recommend maintenance of its policy to require that these areas be addressed. A map of the City's islands is included as a part of Attachment #3 and shown below.

City of Hesperia - "Islands" as defined by Commission Policy and Government Code Section 56375.3



Map prepared by LAFCO, October 3, 2008

SPHERE OF INFLUENCE REVIEW

LAFCO staff recommends that the Commission take the action as reflected in the Community discussion of this report for a reduction in the southern sphere to exclude the territory within the Crestline-Lake Arrowhead Water Agency (338 acres), to modify the City's sphere of influence along the Mojave River south of Bear Valley Road to realign the boundary along parcel lines, and to affirm the remainder of the City's sphere of influence, thereby adhering to the Commission's community definition.

The City's boundary currently encompasses approximately 75+/- square miles, and its sphere of influence extends an additional 37 +/- square miles. The County's Development Code establishes a "sphere standards overlay" to allow the implementation of County development standards or standards that closely conform to city development standards. The intent of this sphere overlay standard is to, "ensure that the County's approval of a proposed development in a sphere of influence is consistent with the shared objectives of the County" and the city. In the Oak Hills area, the basic pattern of land uses has been agreed upon by the City and the County through the Oak Hills Community Plan.

Further, pursuant to Government Code 56425(b), as a part of the sphere of influence updates for cities conducted by LAFCO, the city and the County are required to meet and discuss the sphere of influence of the city. The City and the County fulfilled the meeting requirement. Both parties agreed that there were no significant planning issues and that their efforts to cooperate on road improvement and development projects are working to mutual satisfaction.

The City has indicated in the materials submitted for this review that no modifications to the existing sphere are currently anticipated. However, following LAFCO staff review, it is staff's recommendation that the Commission take three actions regarding the City's sphere, as discussed in the Community Discussion section of this report. Letters from City representatives stating no objection to the recommendations below are included as a part of Attachment #2.

- Reduction of the City's sphere of influence by approximately 338 acres to be coterminous with the Mojave Water Agency's (MWA) boundary in the Silverwood Lake area. Map included in the Community Discussion of this report and as a part of Attachment #3.

- Modification of the City's sphere of influence along the Mojave River south of Bear Valley Road to realign the boundary along parcel lines, mirroring the sphere modifications approved for the Apple Valley Community by the Commission at the September 17 hearing.

- Sphere modification along Bear Valley Road to reflect the centerline. Map included in the Community Discussion of this report and as a part of Attachment #3.

FACTORS OF CONSIDERATION:

The City was requested to provide information regarding the sphere of influence update as required by State law. Staff responses to the mandatory factors of consideration for a sphere of influence review (as required by Government Code Section 56425) are identified as follows:

Present and Planned Uses

Overall, the City's boundaries and sphere include the full range of densities from high density to non-developable land. Land uses also include the full range which includes open space, rural living, and residential. There are also Williamson Act contracts in the sphere area which restrict the land uses to either open space or agriculture for a minimum period of ten years. The City is also currently updating its General Plan, which is expected to be completed by Fall 2009 along with the City's environmental review. The land ownership breakdown of the community is as follows:

Land Owner	Sq Miles	Percentage
Private	109.8	93.4
U.S. Army Corps of Engineers	4.1	3.5
US Bureau of Land Management	3.0	2.6
San Bernardino National Forest	0.5	0.4
California Dept. of Parks and Recreation	0.2	0.2
Total	**117.6**	**100.0**

Oaks Hills Community Plan

The Oak Hills Community Plan was a joint effort between the County and the City, and the Community Plan recognizes the existence of the Oak Hills community. An Advisory Committee oversaw the development of the Oak Hills Community Plan which consisted of both landowners and residents. The boundaries of the Community Plan were structured around CSA 70 Zone J. The primary intent for this area is to continue to develop homes on 2 ½ acres lots and maintain its rural character. The Oak Hills Community Plan established a Freeway Corridor to be developed with retail and job producing industrial and office uses on the large parcels adjacent to the freeway. The Community Plan also delineates open space areas within the Oro Grande Wash as well as another wash on the east side of the freeway. These washes form buffer zones for the rural area lying outside the freeway corridor. Overall, the Oak Hills area could add an additional 12,000 persons by 2030.

The City adopted the Oak Hills Community Plan and the environmental document in 2002. The County adopted its version of the Community Plan in 2003 by creating the Oak Hills Planning Area and extracting portions of the Oak Hills Community Plan and inserting them into the County 1989 General Plan and Development Code as it did not have a mechanism to adopt a community plan. This was done so that the Community Plan would be consistent with the format of the County documents. The County adopted its General Plan Update in 2007 and established 13 other community plans, not including the Oak Hills Community Plan. County staff has indicated to LAFCO staff that the Oak Hills Community Plan is currently used as a guideline, and the standards of the Oak Hills Community Plan have

been adopted as regional standards. The County's intent is to re-adopt the Oak Hills Community Plan in the same format as the 13 other community plans in the near future.

Summit Valley

Within Sphere of Influence

Located south of the City within its sphere, Summit Valley is an area of significant potential growth. The City's General Plan for this area requires comprehensively planned development. The area has few paved roads and little infrastructure; therefore the preferred method of development is through the specific plan or planned development process. Since the City's incorporation in 1988, three specific plans have been approved in Summit Valley: Rancho Las Flores, Summit Valley Ranch, and Bella Mesa. These plans combine for a total of 20,000 dwelling units. Another specific plan has been submitted, but not yet processed, known as Majestic Hills, which proposes 4,000 dwelling units. Further, the Oak Hills Community Plan sphere area could add an additional 12,000 persons (4,478 dwelling units) by 2030 according to City staff. Together, all four specific plans and Oak Hills could add 28,478 dwelling units. Utilizing the County General Plan's 2.68 persons per household for the Desert region calculates to an additional 76,321 persons.

Present and Probable Need for Public Facilities and Services

In the documents submitted for this review, the City has identified that the capital improvements planned will benefit the City and sphere as future residents in Oak Hills and Summit Valley are expected to utilize services available in the City.

In the unincorporated sphere area, Oak Hills is limited in its growth due to the Oak Hills Community Plan designating a rural character of the area. The area is served water by CSA 70 Zone J but lacks sewer capacity at present. There is development activity in Summit Valley but the area currently lacks the necessary infrastructure to support growth. The specific plans anticipate urban-type levels of services as the population increases. Given the anticipated growth within the sphere, residential projects will require the development of schools, parks, medical facilities, and police and fire services. Additionally, large scale residential projects will require all municipal level services.

Wastewater capacity will have to be expanded to meet future growth needs. Currently, VVWRA is planning to expand present sewer treatment services by adding an east regional facility and a sub-regional facility within the City. This would increase VVWRA's capacity overall and support the sewer needs of the City and the region.

The City is planning to construct three wastewater reclamation plants. The potential system also contains six reservoir sites with a combined storage volume of 10.5 million gallons, four booster pumps, and two pressure reducing stations. The Recycled Water Master Plan states that these plants will help the City meet its future water needs. An additional wastewater reclamation plant with a capacity of 3.7 million gallons per day is planned for construction as a part of the Rancho Las Flores development.

Present Capacity of Public Facilities and Adequacy of Public Services

The City provides or contracts for most municipal-level services within its current jurisdiction, with the exception of fire protection (Hesperia Fire Protection District) and water and sewer service (Hesperia Water District). Overall, current facilities and services delivered are adequate.

The 2008 Recycled Water Master Plan and 2008 Wastewater Master Plan study areas include the majority of the City but does not includes the future developments of North Summit Valley, Rancho Las Flores, and Summit Valley Ranch. The City currently does not have a recycled water system or any customers that are served with recycled or non-potable water. The City's wastewater is treated by VVWRA, and due to the distance from the wastewater reclamation plant, the City does not readily have access to recycled water from this plant.

In Oak Hills, there are limited commercial uses and there is no sewer provider. This is due to its rural nature and 2 ½ acre minimum size lots. In Summit Valley, there is no current water or municipal sewer service, but these are developments and the services are provided on-site.

Social and Economic Communities of Interest

The City is the core of the social and economic community of interest for the Hesperia community. Within the unincorporated sphere, there are two distinct social communities. The Oak Hills Community Plan recognized the existence of the Oak Hills community through the appointment of an Advisory Committee that oversaw the development of the Community Plan. The other community is Summit Valley and is much smaller. The specific plans for this area will guide development in the future. The majority of the community is within the Hesperia Unified School District with the area west of Interstate 15 being within the Snowline Joint Unified School District.

In addition, the Mojave River presents an easily definable boundary for service delivery; however, its present location splits parcels. LAFCO staff is recommending that a sphere of influence amendment be approved to realign the sphere of influence/community definition along the parcels recognizing their service relationship.

HESPERIA FIRE PROTECTION DISTRICT

INTRODUCTION:

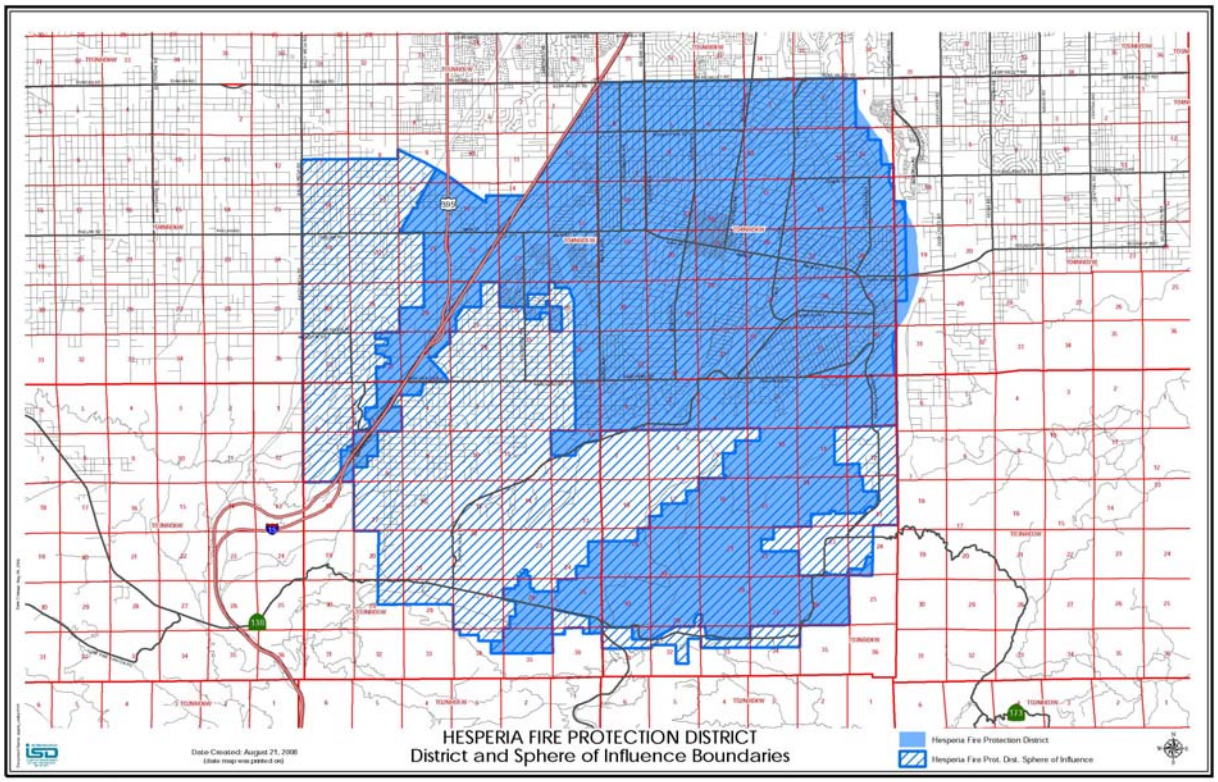
LAFCO 3037 consists of a municipal service review pursuant to Government Code Section 56430 and sphere of influence update to include a sphere modification pursuant to Government Code 56425 for the Hesperia Fire Protection District (District). The District's response and supporting materials are included as Attachment #4 to this report and are briefly summarized in the information below.

The District is an independent special district formed in 1957 and reorganized in 1962 under the "Fire Protection District Law of 1961". It currently operates under the Fire Protection District Law of 1987, Health and Safety Code Section 13800 et seq. The purpose of the District is to provide fire protection and emergency medical response services within its boundaries, which generally correspond to those of the City of Hesperia. The District comprises approximately 75 square miles and became a subsidiary district of the City of Hesperia when the City incorporated in 1988. The District is currently authorized by LAFCO to provide fire protection services (structural, watershed, suppression, prevention, ambulance, and paramedic).

In 2004, the District entered into a contractual agreement with the County for County Fire to provide the services of fire protection, emergency medical response, and ambulance services within the jurisdiction of the District. This agreement has a rolling ten-year contract period.

BOUNDARIES:

The District has a slightly different boundary than the City of Hesperia, but its sphere of influence is coterminous with that of the City's sphere, in keeping with the Commission's concurrent sphere policies. The service review and sphere study area also includes the unincorporated communities of Oak Hills and Summit Valley. The study area is generally east of Baldy Mesa road and its logical extension (San Bernardino County Fire Protection District/North Desert Service Zone), south of the City of Victorville (successor to the Victorville Fire Protection District in 2008), west of the Apple Valley Fire Protection District, and north of the National Forest (San Bernardino County Fire Protection District/North Desert Service Zone and United States Forest Service responsibility). The area is generally bordered by the City of Victorville and it sphere of influence on the north; the Apple Valley Fire Protection District and its sphere of influence and section and half-section lines on the east; a combination of half-section lines and parcel boundaries which traverse along the courses of Highways 173 and 138 on the south; and a combination of Baldy Mesa/Landover Road, section lines, and half-section lines on the west. Below is a map of the District's current boundaries and sphere, also included as a part of Attachment #3.



As discussed in this report, LAFCO staff is recommending minor modifications to the District's sphere of influence along its eastern boundary to clarify service delivery along the Mojave River generally following parcel lines south of Bear Valley Road and a sphere reduction of approximately 338 acres in the Silverwood Lake area.

MUNICIPAL SERVICE REVIEW SUMMARY

The City staff on behalf of the Hesperia Fire Protection District (District) prepared a service review consistent with San Bernardino LAFCO policies and procedures. The response to LAFCO's requests for materials includes, but is not limited to, the District's audits, budgets, and Public Safety Needs Report.

<u>Growth and population projections for the affected area.</u>

The District's jurisdiction and sphere are coterminous with the City of Hesperia's jurisdiction and sphere which includes the unincorporated communities of Oak Hills and Summit Valley. Therefore, the growth and population projections for the City are used for the District. The information for growth and population is the same as that presented above for the City and is not reiterated here.

<u>Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.</u>

Contract with County Fire

The District entered into a contractual relationship with County Fire in 2004. Pursuant to the contract, County Fire provides fire prevention, fire investigation, fire suppression, advanced life support services, ambulance transportation service, hazardous materials, and rescue services at a cost determined annually in consultation with City staff. County Fire also provides administrative duties which include billing and collecting of advanced life support and ambulance transportation fees for the District. In turn, the District leases it real property, furniture and fixtures, and fire vehicles and equipment to the County for one dollar per year. The contract calls for County Fire to maintain insurance for worker's compensation, comprehensive general and automobile liability.

Stations and Personnel

The District pays for the employment of 53 safety staff and six non-safety staff on a full-time equivalent (FTE) basis. No additional staff is budgeted for the current year, but eight fire personnel were added in FY 2005-06. County Fire operates the four District-owned fire stations within the District's boundaries. The locations of these stations are identified as follows[6]:

Station 301 9430 11th Avenue
This station is located in the Southwest portion of Hesperia. Daily staffing consists of one Captain, one Engineer, and one Firefighter/Paramedic on the engine while the Medic Ambulance is staffed with a Firefighter Paramedic and one Limited Term FF/EMT. This station houses an ICS Type 1 paramedic engine (ME301), a brush engine (BE301) which meets ICS requirements for Type 2 and Type 3, a "Heavy Rescue" response vehicle (R301), and a Paramedic Ambulance (MA301). In addition to the City of Hesperia and I-15, Station 301 also responds to assist units in the unincorporated County areas in Oak Hills.

Station 302 17228 Olive Street
This station is located in the southeast portion of Hesperia. Daily staffing consists of one Captain, one Engineer, and one Firefighter/Paramedic on the engine while the Medic Ambulance is staffed with a Firefighter Paramedic and one Limited Term FF/EMT. This station houses an ICS Type 1 paramedic engine (ME302), a Type 3 Brush Engine with four wheel drive (BE302), and a Paramedic Ambulance (MA302). In addition to the City of Hesperia, Station 302 also responds to assist units in the unincorporated County areas south and east of the City such as Summit Valley, the Town of Apple Valley, and Highways 173 and 138. Adjacent to the station are the administrative offices for the North Desert Division and High Desert Battalion. There is also a Fire Explorer post based here.

Station 303 17443 Lemon Street
This station is currently unstaffed and is the location of the Household Hazardous Waste Facility (HHW). Reserve fire apparatus are located at this station and are staffed as needed.

[6] Station descriptions are taken from the County Fire website.
San Bernardino County Fire. website. www.sbcfire.org. Accessed August 28, 2008. Last update unknown.

Station 304 15660 Eucalyptus Street
This station is located in the northern portion of Hesperia. Medic Truck 304 is staffed daily with a Captain, Engineer, and Firefighter-Paramedic. Medic Ambulance 304 is staffed with a Firefighter and a Firefighter-Paramedic. Medic Truck 304 features a 75' elevating ladder and hose stream. Water Tender 304 is also based here and carries 1,500 gallons and four-wheel drive to support firefighting in rural areas. The on duty crew will staff whichever vehicle is appropriate for the call type. In addition to Hesperia, this station also provides assistance to the City of Victorville.

The District's sphere is within the jurisdiction of County Fire and its North Desert Service Zone. Within the sphere, County Fire is responsible for fire service and operates out of two paid-call fire stations. Station 48 is in Summit Valley at 4691 Summit Valley Road and Station 40 is located at 6584 Caliente Road, west of Interstate 15.

Public Safety Needs Report

The City utilizes its Public Safety Needs Report to plan for future facilities and service. The City Council accepted the Report in 2006 and recommends the expansion of police and fire facilities. It also provides economic justification for increasing development impact fees. The Report takes into account future growth within the City as well as the developments in Summit Valley and the Freeway Corridor in Oak Hills. The Report addresses the need for additional fire stations and establishes a response time goal of six minutes.

Emergency Calls and Response Times

The number of emergency calls was identified in the materials as follows: In 1998 there were 5,706 calls and that number jumped to 8,249 in 2007.

In 2003/04, the response times District-wide averaged 8 minutes, 1 second (8:01) and averaged 9:02 in Las Flores and areas west of Maple. In the remote areas of the District, response times could take as much as 15 minutes and mutual aid from neighboring cities/districts was required to cover stations emptied by a call.

Since 2005 the average response times to all areas of the District have decreased to an average of 7:15. The District attributes this decrease to a streamlining of dispatching procedures and the large increase in equipment and manpower available through the District's contract with County Fire.

State Responsibility Areas

The territory of the southern City sphere of influence is within the area defined as "State Responsibility Area" by the California Department of Forestry and Fire Protection (hereinafter Cal Fire). The last three annexations to the City and the Fire District were designated as "State Responsibility Areas" for wildland fire protection purposes by Cal Fire. Upon annexation to the City, this designation was removed and the financial obligation for this type of fire protection transferred to the City. The City and the Fire District agreed to

split the costs for wildland fire protection which would accrue through annexation of these areas.

Infrastructure Needs or Deficiencies

The District covers a large geographical area in comparison to other fire agencies of similar budget and resources. Therefore, consideration must be made for future facilities and their placement to accommodate anticipated future growth. An increase in the population will require additional fire fighting resources. More intense land use equals a greater potential for large fires and large dollar loses and requires a substantial increase in the efforts of fire prevention related activities. In addition, an increased population produces a correspondingly higher volume of emergency responses. Infrastructure needs will include roads and water improvements as well as fire station facilities.

Currently, the Freeway Corridor and Summit Valley lack the infrastructure to support growth. Future stations will be funded by new development in the Freeway Corridor and in the specific plan areas. In the Oak Hills area, the residential lot size is restricted to a minimum of 2 ½ acres and there is limited commercial activity. Therefore, there are no immediate plans for increased fire protection services in this area. As the specific plans within Summit Valley develop, the District will work with the developers to plan for future fire station locations as well as to prepare the necessary financing mechanisms. It was identified in the annexation applications that the development of community facilities districts (CFDs) could be required to provide funding for infrastructure development as well as maintenance and operation of emergency services.

Financial ability of agencies to provide services.

Unlike the City's other operating funds, the District's operating fund is not balanced with a surplus for FY 2008-09; rather it is budgeted with expenditures higher than revenues by slightly under $348,000. The same occurred in the prior year with both the original and revised budgets having higher expenditures than revenues.

Budget

Revenues

Revenues for FY 2008-09 are anticipated to increase 2% over the prior year to roughly $9.1 million. The District's primary sources of revenue are from property taxes, ambulance service fees, redevelopment pass through, and Community Facilities District 94-1. These four sources combined represent 95% of the District's revenue and are as follows:

- The District receives approximately 15% of the receipts collected from the general tax levy. The budgeted amount for FY 2008-09 is $4.3 million. This represents a 13% increase ($0.5 million) from FY 2005-06 and a $2.4% increase from FY 2007-08.

- Ambulance transportation fee revenue increased 13% in FY 2007-08, attributed to population growth and the addition of a fourth ambulance. A 6% increase ($100,000) is anticipated for FY 2008-09 with a budgeted amount of $1.9 million. In the materials provided, the District indicates that there are no plans to revise rates at this time.

- The District receives a pass through of tax increment received by the Hesperia Redevelopment Agency. This revenue source increased 26% in FY 2007-08 and is anticipated to increase about $75,000 in FY 2008-09 to $2.2 million. As noted under the City discussion, it was identified that the pass-through received from VVEDA has been distributed in lump sum to the City of Hesperia for itself and its subsidiary districts. As of the date of this report, City staff has not identified the share attributable to the Hesperia Fire Protection District; however, as noted the District's share of property tax is approximately 15% compared to the City's 1.3% share.

- Community Facilities District 94-1 was established within a portion of the Fire District west of Maple Avenue to assess new development for the increased cost burden on the District for providing fire service. For FY 2008-09, roughly $312,000 is anticipated.

Expenditures

The District operates with two funds: Operations and Community Safety, and Administration. The Administration Fund reflects District expenditures and projects that are non-County Fire contract expenditures. Activities include managing the County Fire contract, monitoring the District's funds, and managing worker's compensation claims and California Public Employees' Retirement System (CalPERS) issues. These worker's compensation claims and CalPERs issues are ongoing obligations from before 2004 - when the District actually provided service. The current fiscal year budgeted $240,632 for this fund and is comprised of additional employee benefits ($17,759), materials ($14,000), additional contractual obligations ($198,873), and other costs ($10,000). Compared with FY 2007-08, the sharp reduction in administration expenditures is primarily due to reduced expenditures for prior Worker's Compensation Claims and no proposed vehicle expenditures. Last year $1.39 million was spent for vehicle replacements, and the funds for these purchases were transferred from the Community Development Block Grant Fund ($503,703), RDA Capital Improvement Project Area #1 ($797,933), and RDA Capital Improvement Area #2 ($88,363).

The Operations and Community Safety Fund pays for the contract with County Fire. The contract with the County to provide fire protection, emergency medical response, and ambulance services increased for the current year by 13.9% ($1.1 million) to $9,217,872.

Reserves

The District's policy of maintaining 10% cash reserves as a percent of expenditures is anticipated to be met through the end of FY 2008-09 when 17% in reserves is anticipated.

Audit

For the FY 2006-07 audit, the District reported a balance of $2.5 million, which is an increase of about $0.4 million or 21.8% over the prior year's audit. Major revenues which increased during the year were Redevelopment Agency pass through ($0.5 million), property tax revenue ($0.3 million), and paramedic ambulance fees and assessment district revenue ($0.3 million). The property tax based revenues increased because of the City's recent population and development growth. Additionally, the addition of a fourth ambulance has increased the related ambulance revenue.

Revenue and Expenditure Trend

As shown in the chart below, the District has operated over the past three years with a surplus. However, the District is dependent upon transfers from the City's other funds and community development block grants to purchase capital goods. For example, last year $1.39 million was spent for vehicle replacements, and the funds for these purchases were transferred from the Community Development Block Grant Fund and RDA Capital Improvement Project Area #1 and #2.

The District is likely to experience financial challenges in the coming years. Costs for the County Fire contract have increased 71% since FY 2004-05 and annual increases are anticipated to continue. Additionally, the expanded stations and new stations anticipated to come on-line within a few years will result in additional costs for an increased level of service. Further, as mentioned above, the downturn in the housing market is affecting some of the District's primary sources of income: property tax revenues, community facilities district revenues, and development impact fees.

Hesperia Fire Protection District Revenue and Expenditure Trend

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Revised Budget	FY 2008-09 Budget
Expenditures	**$5,728,000**	**$5,857,131**	**$8,091,306**	**$9,942,622**	**$9,458,504**
Operations and community safety	5,402,668	5,584,008	7,417,621	8,091,789	9,217,872
Administration	325,332	273,123	673,685	1,850,833	240,632
Revenues	**$5,720,715**	**$6,953,437**	**$8,546,530**	**$10,240,467**	**$9,111,219**
Property Taxes	3,582,644	3,816,789	4,117,561	4,298,000	4,298,000
RDA pass-through	548,785	1,050,909	1,547,876	2,016,221	2,177,519
Ambulance Fees	1,179,380	1,506,524	1,713,769	1,800,000	1,900,000

CFD 94-1	93,176	149,374	225,695	283,430	311,595
All other revenue	316,730	429,841	431,629	452,816	424,105
Transfers-In	0	0	510,000	1,390,000	0
Balance	**$988,280**	**$2,084,584**	**$2,539,810**	**$2,837,655 ***	**$2,490,370 ***

sources: City of Hesperia Budgets for FY 2007-08 and FY 2008-09
* Estimated year-end

Capital Improvement

To meet the facility requirements of the Public Safety Needs Report, the District plans to construct new stations and expand the current stations. The FY 2007-08 budget includes over $13 million for continued and new fire projects. The District is cooperating with the County to build a new station (Station 305). The following lists the planned improvements to the fire stations:

- Station 301 – expansion of an additional 12,000 square feet. The estimated cost of the project is $6 million and is anticipated to begin construction this fiscal year.

- Station 302 – relocate to north of Main Street to serve the northeast portion of the City and improve response times. Property acquisition and design is estimated to cost $2.1 million.

- Station 304 – The Safety Report identifies the need to add 8,800 square feet to this station by 2017. However, growth in this area necessitates adding a lesser amount of space sooner than 2017. The design and construction is estimated to cost $1.5 million and is anticipated to begin this fiscal year.

- Station 305 – The needs of the developing Freeway Corridor will require an additional fire station. The District and the County are jointly participating in the construction. The new station is planned to be 22,000 square feet and located on the west side of Interstate 15, west of Caliente Road, south of Joshua Street. Construction is anticipated to begin this fiscal year, and the estimated cost of the project is $11 million.

Pass-Through

The materials submitted identify the pass-through amounts from the Hesperia Redevelopment Agency. However, as noted above, Hesperia Water District, and Hesperia Fire Protection District are eligible for receipt of pass-through revenues from VVEDA. As of the time of this report, LAFCO staff could not confirm the amount of the lump sum payment attributable to the Fire Protection District.

Debt

The Fire District currently does not have any debt secured by loans; however, it has claims against it prior to the takeover by County Fire, which remain its obligation.

Appropriation Limit

Action taken on June 17, 2008 by the Board of Directors set the appropriation limit for the District at $14,962,743 for Fiscal Year 2008-09.

Status of, and opportunities for, shared facilities.

The City consolidates the management of the Hesperia Water District, Redevelopment Agency, and Hesperia Fire Protection District at the new City Hall. When the new Public Works building is completed, it will house the Hesperia Water District, street maintenance operations, and record archives. As mentioned above, Station 305 is being constructed by the District and the County.

Accountability for community service needs, including governmental structure and operational efficiencies.

Local Government Structure and Community Service Needs

The City of Hesperia, as the governing board of the District, is governed by five council members elected at large to four-year staggered terms. Below is the composition of the current council/board, their positions, and terms of office:

Council/Board Member	Title	Term
Mike Leonard	Mayor	2008
Thurston Smith	Mayor Pro Tem	2010
Tad Honeycutt	Council Member	2008
Ed Pack	Council Member	2010
Rita Vogler	Council Member	2010

City council meetings are held the first and third Tuesday of each month at the Hesperia City Hall at 6:30 p.m. The City complies with the Brown Act, and the public is welcome. The City Council convenes separate meetings as the Board of the District for items related solely to the District. For certain items of common interest, joint meetings are held. Meetings are available on the City website.

Each year the proposed City budget (which includes its subsidiary districts) is presented to the City Council during a public hearing, and the budget is adopted each year by the Council. The Council also convenes as the Board of the District and passes the budget and annual appropriations limits through resolution. To foster transparency, LAFCO staff would recommend either separate budget documents for the subsidiary districts identifying that they are separate units of government or that the consolidated budget document isolate the City's subsidiary districts into independent sections. City staff has indicated their opposition to this change as the current budget process requires the City to look at its operations in total rather than a piecemeal approach.

The City publishes a quarterly newsletter that includes information related to the District and fire safety, which is mailed to all of the postal addresses within the City.

Operational Efficiency

The City provides administrative services such as budgeting, accounting, and legal services to the District, and the City is refunded for this support. As for actual fire service and related planning, economies of scale are realized as County Fire has an existing administrative structure for personnel administration, purchasing, training, and maintenance

The needs of the developing Freeway Corridor will require an additional fire station. The District and the County are jointly participating in the station's construction as it will be designed to serve incorporated and unincorporated territory. Construction is currently underway and the estimated cost of the project is $11 million. Staffing costs have not, as yet, been determined.

Government Structure Options

There are two types of government structure options:

1. Areas served by the agency outside its boundaries through "out-of-agency" service contracts;

2. Other potential government structure changes such as consolidations, reorganizations, dissolutions, etc.

Out-of-Agency Service Agreements:

The District provides for service outside its boundaries through automatic and mutual aid agreements. It has automatic aid agreements with the City of Victorville and Town of Apple Valley and the newly reorganized San Bernardino County Fire Protection District North Desert Service Zone which succeeded to agreements with CSA 38 and CSA 29.

The District, a subsidiary district of the City, has contracted with the County for County Fire to provide fire and emergency medical services within its boundaries since 2004.

Government Structure Options:

While the discussion of some government structure options may be theoretical, a service review should address possible options.

- Expansion of the District to encompass the entirety of its sphere, whereby it would be responsible for fire protection and emergency medical response. Since the District contracts with County Fire to provide services within the jurisdiction of the District, expansion to encompass the sphere would result in the same fire provider that currently provides service - County Fire. Implementation of this option would result in the District being ineligible for subsidiary status and would require action to become an independent special district governed by an elected board.

- Dissolution of the District with County Fire as the successor. Since County Fire is the contracted agency to provide actual fire support, one possibility would be to dissolve the district, expand the sphere of influence of the San Bernardino County Fire Protection District and concurrently annex the territory to County Fire and its North Desert Service Zone. This option would require consent from the City of Hesperia to a board governed fire protection district overlaying its territory as that district is governed by the Board of Supervisors as the ex-officio board of directors. The District has no employees and its only real function, at this time, is to receive the property tax share, administer the contract and coordinate with County Fire. While there are benefits to regionally providing services such as fire protection and potential economies of scale that could be achieved, neither the District nor the City has indicated support for this option. However, LAFCO staff would support this option as it would recognize the current fire provider, it would alleviate the need for the contract and the annual budgeting requirements for the Hesperia Fire Protection District and it would allow residents of the City of Hesperia to participate on the advisory board for determining levels of service for the North Desert. In the end, though, without support from the City this option could not be achieved.

- Dissolution of the District with the City as the successor. Staff again questions why the District exists as a subsidiary district and not as a City department when its boundaries almost completely mirror those of the City (territory along the Mojave River the only variation), the District has no employees and its only real function is to administer the contract and coordinate with County Fire. If this option were to occur, the only fiscal impact would be that the City's share of property tax revenues would go from 1.3+/- percent to 16 +/- percent eliminating it from the County's revenue enhance program. The District responded to this option in supplemental material provided, and the District states that this is not a current issue that has been evaluated by the District Board. Therefore, until a comprehensive analysis is conducted on this option, the District is not in a position to comment for or against such a change.

  In addition, during the County Fire Reorganization, the territory within the District's sphere of influence was included within the boundaries of the San Bernardino County Fire Protection District. It was noted that the County would not oppose the expansion of fire agencies through the annexation process.

- Consolidation with the surrounding fire agencies (Barstow and Apple Valley) is also an option. However, there are geographical and political hurdles relating to local control, which have proven to be the main sticking points in previous discussions with surrounding agencies.

- Maintenance of the Status Quo – in this scenario the District would continue to operate as a subsidiary district of the City of Hesperia with the City Council as the ex-officio members of the board of directors. Pursuant to Commission Policy, concurrent annexations with the City would continue to occur.

If support were to be received from the City of Hesperia, LAFCO staff would recommend either the dissolution of the district with assumption of service by the City or by the San Bernardino County Fire Protection District and its North Desert Service Zone. Without support from the City as the governing body of the Hesperia Fire Protection District these actions can not take place; therefore, staff would recommend maintenance of the status quo.

SPHERE OF INFLUENCE REVIEW

LAFCO staff recommends that the Commission take the action as reflected in the Community discussion of this report for a reduction in the southern sphere to exclude the territory within the Crestline-Lake Arrowhead Water Agency (338 acres), to modify the District's sphere of influence along the Mojave River south of Bear Valley Road to realign the boundary along parcel lines, and to affirm the remainder of the District's sphere of influence, thereby adhering to the Commission's community definition.

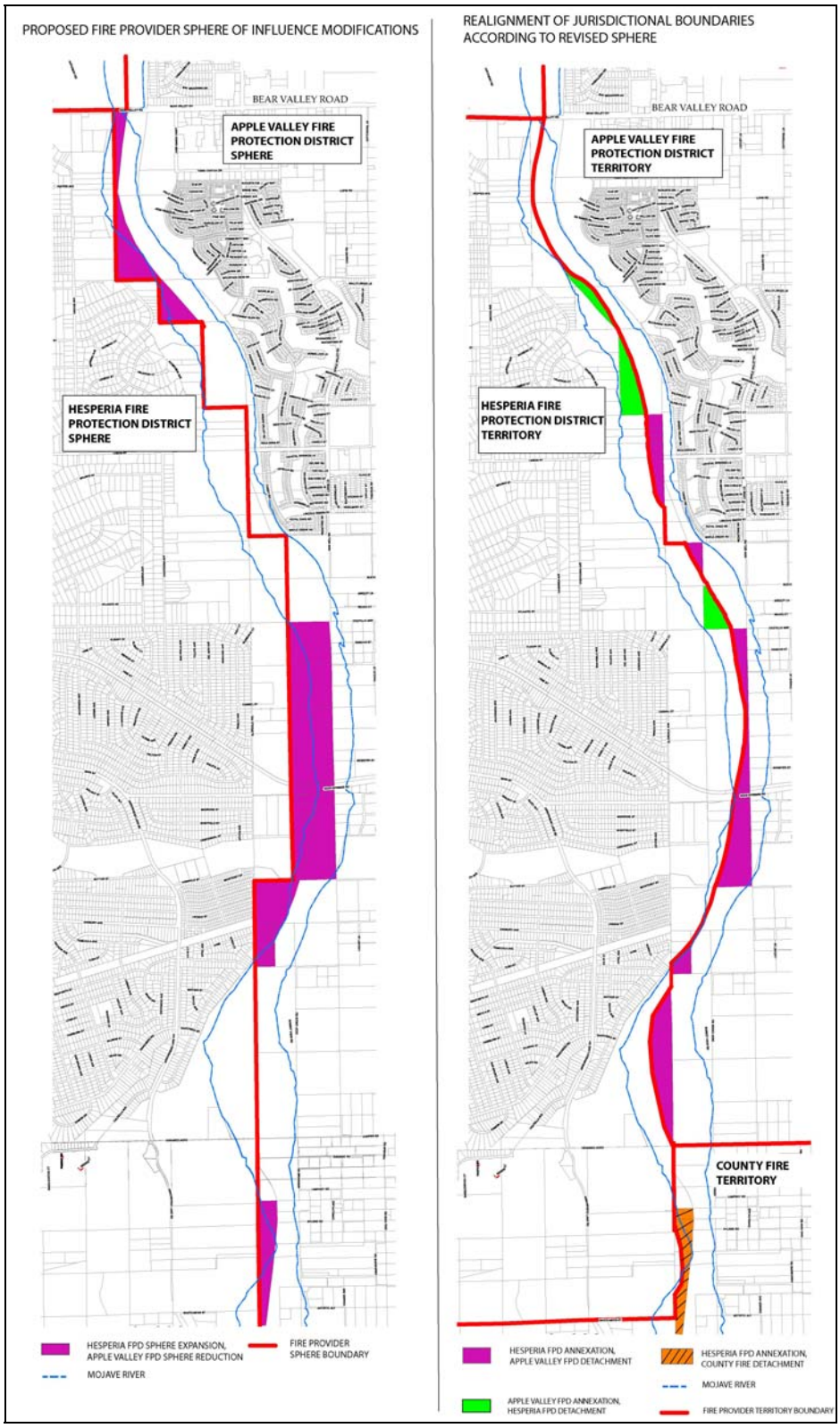
LAFCO staff also recommends that the Commission affirm the function and services provided by the Hesperia Fire Protection District as follows:

FUNCTIONS	***SERVICES***
Fire Protection	***Structural, watershed, suppression, prevention, ambulance, paramedic***

The District's boundary currently encompasses approximately 75 square miles, and its sphere extends an additional 37 square miles. The District has indicated in the materials submitted for this review that no modifications to the existing sphere are currently anticipated. However, following LAFCO staff review, it is staff's recommendation that the Commission take three actions regarding the District's sphere, as discussed in the Community Discussion section of this report. Letters from District staff stating no objection to the recommendations below are included as a part of Attachment #2.

- Reduction of the District's sphere of influence by approximately 338 acres to be coterminous with the Mojave Water Agency's (MWA) boundary in the Silverwood Lake area. Map included in the Community Discussion of this report and as a part of Attachment #4.

- Modification of the District's sphere of influence along the Mojave River south of Bear Valley Road to realign the boundary along parcel lines, mirroring the sphere modifications approved for the Apple Valley Community by the Commission at the September 17 hearing.



- Sphere modification along Bear Valley Road to reflect the centerline. Map included in the Community Discussion of this report and as a part of Attachment #4.

When updating a sphere of influence for a special district, the Commission is required to establish the nature, location, and extent of any functions or classes of services provided by the district (Government Code §56425(i)). Currently, the District is authorized the function of fire protection as such is defined in Fire Protection District Law. Neither the staff of LAFCO nor the District proposes any changes to the District's authorized functions and services. Therefore, staff recommends that the Commission affirm the District's authorized functions and services as outlined above.

FACTORS OF CONSIDERATION:

The District was requested to provide information regarding the sphere of influence update as required by State law. Staff responses to the mandatory factors of consideration for a sphere of influence review (as required by Government Code Section 56425) are identified as follows:

Present and Planned Uses

Overall, the District's boundaries and sphere include the full range of densities from high density to non-developable land. Land uses also include the full range which includes open space, rural living, and residential. There are also Williamson Act contracts in the sphere area which restrict the land uses to either open space or agriculture for a minimum period of ten years. The City of Hesperia is also currently updating its General Plan, which is expected to be completed by Fall 2009 along with the City's environmental review. The land ownership breakdown of the community is as follows:

Land Owner	Sq Miles	Percentage
Private	109.8	93.4
U.S. Army Corps of Engineers	4.1	3.5
US Bureau of Land Management	3.0	2.6
San Bernardino National Forest	0.5	0.4
California Dept. of Parks and Recreation	0.2	0.2
Total	**117.6**	**100.0**

Oaks Hills Community Plan

The Oak Hills Community Plan was a joint effort between the County and the City, and the Community Plan recognizes the existence of the Oak Hills community. An Advisory Committee oversaw the development of the Oak Hills Community Plan which consisted of both landowners and residents. The boundaries of the Community Plan were structured around CSA 70 Zone J. The primary intent for this area is to continue to develop homes on 2 ½ acres lots and maintain its rural character. The Oak Hills Community Plan established a Freeway Corridor to be developed with retail and job producing industrial and office uses on the large parcels adjacent to the freeway. The Community Plan also delineates open space areas within the Oro Grande Wash as well as another wash on the east side of the freeway and identifies the high fire hazard areas with special requirements to reduce fire risk. These washes form buffer zones for the rural area lying outside the freeway corridor. Overall, the Oak Hills area could add an additional 12,000 persons by 2030.

Summit Valley

Located south of the City within its sphere, Summit Valley is an area of significant potential growth; however, its territory is designated as State Responsibility Area lands. The City's General Plan for this area requires comprehensively planned development. The area has few paved roads and little infrastructure; therefore the preferred method of development is through the specific plan[7] or planned development process. Since the City's incorporation in 1988, three specific plans have been approved in Summit Valley: Rancho Las Flores, Summit Valley Ranch, and Bella Mesa. These plans combine for a total of 20,000 dwelling units. Another specific plan has been submitted, but not yet processed, known as Majestic Hills, which proposes 4,000 dwelling units. Further, the Oak Hills Community Plan sphere area could add an additional 12,000 persons (4,478 dwelling units) by 2030 according to City staff. Together, all four specific plans and Oak Hills could add 28,478 dwelling units. Utilizing the County General Plan's 2.68 persons per household for the Desert region calculates to an additional 79,162 persons.

Present and Probable Need for Public Facilities and Services

At this time, the District is meeting the needs of the community. However, as the population increases and the uses of the land intensify, the area will require additional fire fighting resources. Therefore, consideration must be made for future facilities and their placement to accommodate anticipated future growth. In addition, an increased population produces a correspondingly higher volume of emergency responses. Infrastructure needs will include roads and water improvements as well as fire station facilities.

In the unincorporated sphere area, Oak Hills is limited in its growth due to the Oak Hills Community Plan designating a rural character of the area. The area is served water by CSA 70 Zone J but lacks sewer capacity at present. There is development activity in Summit Valley but the area currently lacks the necessary infrastructure to support growth. The specific plans anticipate urban-type levels of services as the population increases. Given the anticipated growth within the sphere, residential projects will require the development of schools, parks, medical facilities, and police and fire services. Additionally, large scale residential projects will require all municipal level services.

The District plans to construct new stations and expand the current stations. The FY 2007-08 budget includes over $13 million for continued and new fire projects. The District is cooperating with the County to build a new station (Station 305). The following lists the planning improvements to the fire stations:

- Station 301 – expansion of an additional 12,000 square feet.
- Station 302 – relocate to north of Main Street to serve the northeast portion of the City and improve response times.

[7] The Specific Plan is just a step below the general plan in the land use approval hierarchy, and is used for the systematic implementation of the general plan for particular geographical areas. source: Curtin, Daniel, J. and Cecily T. Talbert. California Land Use and Planning Law. Solano Press Books. Point Area, CA (2005). See also Government Code §65450 et seq.

- Station 304 – The Safety Report identifies the need to add 8,800 square feet to this station by 2017. However, growth in this area necessitates adding a lesser amount of space sooner than 2017.

- Station 305 – The needs of the developing Freeway Corridor will require an additional fire station. The District and the County are jointly participating in the station's construction. The new station is planned to be 22,000 square feet and located on the west side of Interstate 15, west of Caliente Road, south of Joshua Street.

Present Capacity of Public Facilities and Adequacy of Public Services

Current facilities and services delivered are adequate. County Fire operates from four stations within the City to serve the community. There are also two paid-call stations within the sphere area. Staffing levels meet the needs of the community with 53 paid safety staff.

The funding of facilities and services to developing areas within its boundaries will possibly require development-driven funding sources such as the formation of community facilities districts.

Social and Economic Communities of Interest

The City of Hesperia is the core economic community of interest within the District. Social communities of interest include the City of Hesperia and the communities of Oaks Hills and Summit Valley. The Oak Hills Community Plan recognized the existence of the Oak Hills community through the appointment of an Advisory Committee that oversaw the development of the Community Plan. The other community is Summit Valley and is much smaller. The specific plans for this area will guide development in the future. However, fire protection service has no social or economic community of interest as the State mandates the provision of mutual aid.

In addition, the Mojave River presents an easily definable boundary for service delivery; however, its present location splits parcels. LAFCO staff is recommending that a sphere of influence amendment be approved to align the sphere of influence/community definition along the parcels recognizing their service relationship.

WATER AND SEWER SERVICE DISCUSSION

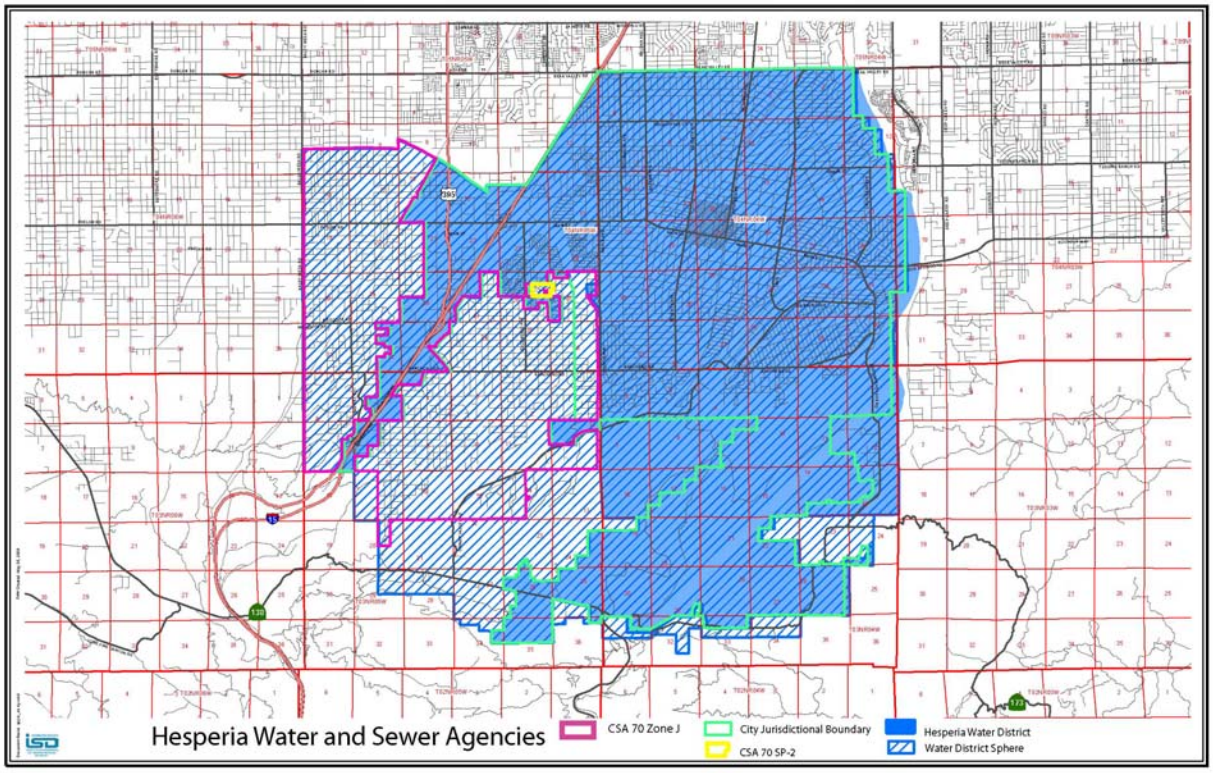
The community receives service for water from either the Hesperia Water District or CSA 70 Zone J and sewer service from either the Hesperia Water District or CSA 70 Improvement Zone SP-2. Generally, the Hesperia Water District serves the incorporated portion of the community, and Zone J serves the unincorporated Oak Hills area and CSA 70 Zone SP-2 serves the High Country Tract. LAFCO does not have purview over Zone J or Zone SP-2, but they will be discussed since they provide municipal services to the Hesperia community. The chart below shows comparative information on the three agencies and a map of these agencies is included as Attachment #5 and is also shown below.

Hesperia Community Water and Sewer Providers

Agency	Year Est'd	Enabling Legislation	Services Authorized	Number of Employees (full time equivalents)	Area	Population (2007)	Service Connections (2007)
Hesperia Water District	1975 *	Water Code § 30000 et seq.	Water, Sewer	78	77 sq miles	85,876	26,575
CSA 70 Zone J	1971	Government Code § 25210.1 et seq.	Water, Roads	Not provided	30 sq miles	10,474	3,183
CSA 70 SP-2	1985	Government Code § 25210.1 et seq.	Sewer	Not provided	80 acres	1,340	235

* In 1975 the Hesperia County Water District was formed, and in 1990 was established as a subsidiary district of the City of Hesperia.

Hesperia Community Water and Sewer Agencies



REGIONAL WATER AND SEWER:

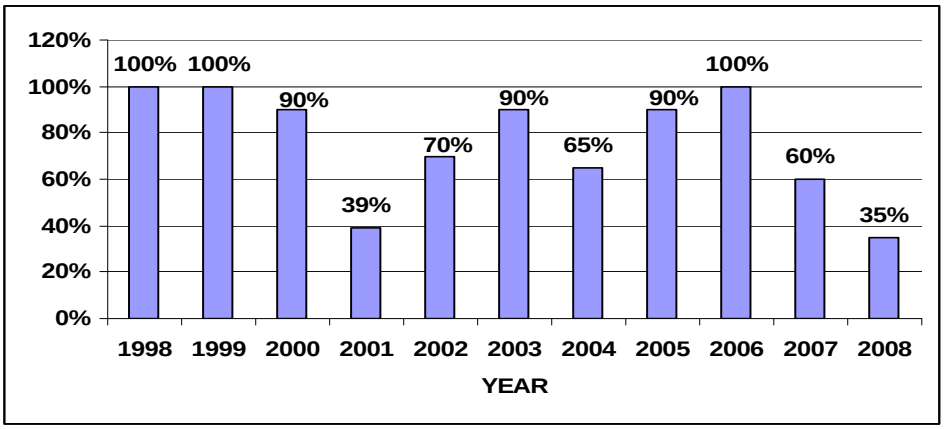
As LAFCO staff has stated on many occasions, water is the lifeblood for communities located in the desert and those that have access to water thrive, while those without adequate supply will see their service abilities deteriorate. Therefore, the most significant regional issue is present and future water supply. The 2007 State Water Project Delivery Reliability Report indicates that State Water Project (SWP) deliveries will be impacted by two significant factors. First, climate change is altering hydrologic conditions in the State. Second, a ruling by the Federal Court in December 2007 imposed interim rules to protect delta smelt which significantly affects the SWP. Further, the Report shows, "…a continued eroding of SWP delivery reliability under the current method of moving water through the Delta" and that "annual SWP deliveries would decrease virtually every year in the future…" The Report assumes no changes in conveyance of water through the Delta or in the interim rules to protect delta smelt.

The figure below shows the allocation percentage that State Water Contractors were allowed to purchase for the past ten years. For example, Mojave Water Agency (MWA) (the State Water Contractor that encompasses the community) is entitled to purchase up to 75,800 acre-feet of imported water per year, and for 2008 the allocation percentage is 35%[8]. Therefore, MWA can

[8] Department of Water Resources, "Snowpack Normal, but DWR Water Deliveries Limited by Federal Court Ruling", Press Release, March 26, 2008.

purchase up to 26,530 acre-feet in 2008. This sharp reduction in supplemental water supply will reduce the amount of water that can be placed into the groundwater basin where the community pumps its water.

Figure 2. Department of Water Resources State Water Project Allocation Percentages (1998-2008) Statewide



source: Mojave Water Agency, *The Panorama,* Vol. 41, Issue 2, Winter 2008.

The water supplied for consumption and/or use within the community is pumped from the local groundwater basin. The high growth rate in the region, coupled with a continued overdraft [9]of the groundwater basin, which is the primary source of supply, is an infrastructure deficiency. The groundwater basin is adjudicated[10] under a stipulated judgment that specifies the amount of groundwater that can be extracted by major groundwater producers (those using over 10 acre-feet per year), the purpose of which is to balance water supply and demand and address the groundwater overdraft. Producers are required to replace any water pumped above their Free Production Allowance by paying the Watermaster to purchase supplemental water or by purchasing unused production rights from another party. Due to the ongoing over-draft of the basin and challenges associated with the State Water Project, future supplies are limited and demand will exceed supplies unless the Department of Water Resources allocates additional amounts. This prompts water purveyors to scale back consumption annually, to aggressively promote water conservation measures, and to buy more expensive imported water. Finding efficiencies in managing limited supply sources is critical for the future of the community.

A comparison of the water rates charged by the agencies within the Victor Valley Region is found on the chart below:

[9] Overdraft is defined as "the condition of a groundwater basin in where the amount of water withdrawn exceeds the amount of water replenishing the basin over a period of time". Department of Water Resources, California Water Plan Update - Bulletin 160-98, pg. G-3 (November 1998).

[10] Adjudication is defined in the 2005 California Water Plan as the "Act of judging or deciding by law. In the context of an adjudicated groundwater basin, landowners or other parties have turned to the courts to settle disputes over how much groundwater can be extracted by each party to the decision." Department of Water Resources, California Water Plan Update 2005, Vol 4, Glossary (2005).

Water Agency Rate Comparison (2008)
(rates measured in hundred cubic feet)

Agency	Water Use Fee				Monthly Meter Charge (1" Meter)	Monthly Average Cost
	Tier One	Tier Two	Tier Three	Tier Four		
Apple Valley Ranchos Water Company	$1.54	-	-	-	$53.65	$108.65
Victorville Water District [1]	1.08	-	-	-	21.00	62.72
Hesperia Water District	0.71	1.20	1.47	1.74	25.18	51.82
Golden State Water Company – Apple Valley Service Area	2.11	-	-	-	24.05	n/a
City of Adelanto	1.85	.95	-	-	--	20.37
CSA 42	1.68	1.87	2.02	-	52.33	69.13
CSA 64	0.59	0.72	0.77	-	13.53	31.57
CSA 70 Zone J	1.51	1.73	2.27	-	17.53	52.08
Juniper Riviera CWD	2.68	2.81	2.95		8.50	40.00
Mariana Ranchos CWD	35.00	1.25	1.75	2.00	--	n/a
Apple Valley Heights CWD	-	2.25	2.25	3.25	35.00	62.00
Thunderbird CWD	1.50	-	-	-	32.00	48.88
Apple Valley Foothill CWD	-	17.00	1.00	2.00	-	40.00

[1] The Baldy Mesa Water District and the Victor Valley Water District were consolidated in 2007. In addition to the water use fee, ten cents per hundred cubic feet is charged for arsenic treatment. Monthly meter charge is based upon how much water is used during the billing period and ranges from $13 to $100. The median charge is $21.

As discussed earlier, the Hesperia Water District and CSA 70 Zone SP-2 provide sewer service within the community. Effluent from both agencies is transported to the Victor Valley Wastewater Reclamation Authority's (VVWRA's) regional wastewater treatment plant. A comparison of the sewer rates charged by the agencies within the Victor Valley Region is found on the chart below:

Sewer Agency Rate Comparison (2008)
(rates per equivalent dwelling unit)

Agency	Monthly Average Cost
Town of Apple Valley	$19.96
Helendale CSD	36.64
City of Victorville	14.72
CSA 42	44.95
CSA 64	24.87
Hesperia Water	35.07
CSA 70 SP-2	33.02
City of Adelanto	n/a

LOCAL WATER:

The Commission's policy for any annexation within a community served by a variety of community-based local agencies requires concurrent annexation to all of the serving

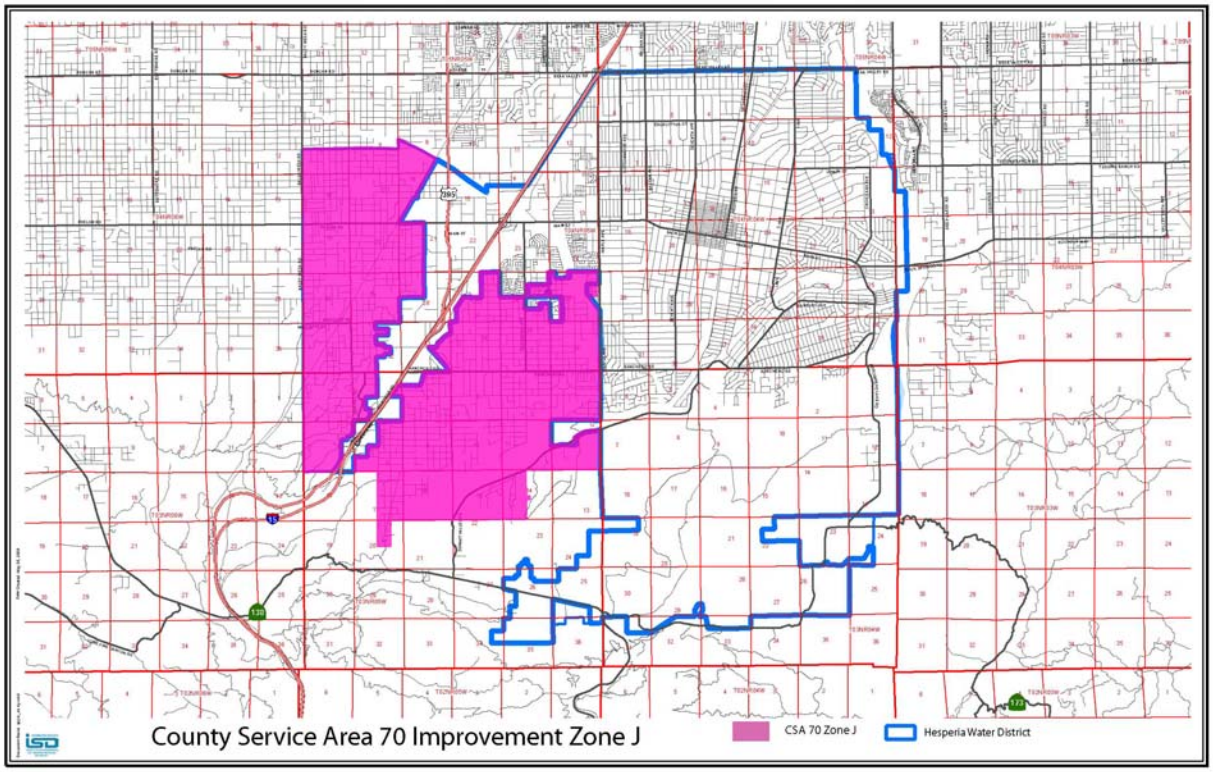
agencies. In the Hesperia community, when unincorporated area in the Oak Hills area is annexed to the City it is also annexed to the Water District, Fire District and Park District, and is detached from CSA 70 Zone J.

Future annexations would move towards having a single water agency within the community. This could achieve economies of scale, reduce costs, and partially mitigate the inevitable increase in water costs for users. Further, this could result in more cost-effective service by eliminating duplicate staffing and facilities and would result in one agency coordinating efforts to address water supply and quality issues within the community.

COUNTY SERVICE AREA 70
IMPROVEMENT ZONE J (OAK HILLS)

INTRODUCTION:

The Board of Supervisors formed County Service Area 70 Improvement Zone J (Zone J) in 1971 to install a backbone water system for the provision of domestic water for residents within the unincorporated area of Oak Hills. Zone J is a board-governed entity that is administered by the County Special Districts Department and encompasses approximately 30 square miles. The area of Zone J is generally the same of the Oak Hills community, as the boundaries of the Oak Hills Community Plan were structured around Zone J. Zone J is generally bordered by the Phelan Piñon Hills Community Services District on the west, the City of Victorville on the north, the City of Hesperia on the east except for the territory along Maple Avenue, and the unincorporated area of Summit Valley on the south. The community is bisected by the City of Hesperia which includes the territory along the I-15 corridor. A map of Zone J is shown below and is included in Attachment #6. Zone J is not under LAFCO purview, therefore only a municipal service review is provided.



In 1992, registered voters within Zone J submitted an application for the formation of a county service area for essentially the service boundary of Zone J plus an additional three square miles. The primary impetus of this application was to fund a community plan for the community of Oak Hills through per parcel assessments at the time of formation. This proposal was denied by the Commission. In 1993, a committee was formed to study the possibility of incorporating the Oak Hills community. The preliminary information indicated

that incorporation would not be feasible without the inclusion of special taxes or assessments to fund city services.

The past two annexations to the City of Hesperia and its related districts included the detachment from Zone J. As a part of the changes of organization, Zone J and the Hesperia Water District entered into agreements for the transfer of facilities which have become a point of contention between the two agencies. This is discussed further in this report.

MUNICIPAL SERVICE REVIEW SUMMARY

Since LAFCO has no direct jurisdiction over Zone J, only Municipal Service Review information is provided. The Special Districts Department's response to LAFCO's request for municipal service information and information from its 2007 Consumer Confidence Report is summarized below and is included as a part of Attachment #6.

Growth and population projections for the affected area.

In 2007, the Oak Hills area had an estimated population of 9,233. The Oak Hills Community Plan area could add an additional 12,000 persons by 2030 according to City of Hesperia staff.

Oaks Hills Community Plan

The Oak Hills Community Plan was a joint effort between the County, the City, and residents and the Community Plan formally recognizes the existence of the Oak Hills community. An Advisory Committee oversaw the development of the Oak Hills Community Plan which consisted of both landowners and residents working in concert with staff from the City and County planning departments. The boundaries of the Community Plan were structured around CSA 70 Zone J. The primary goal for this area is to continue to develop homes on 2 ½ acres lots and encourage animal keeping and other agricultural uses. The Oak Hills Community Plan established a Freeway Corridor to be developed with retail and job producing industrial and office uses on the large parcels adjacent to the freeway. The Community Plan also delineates open space areas within the Oro Grande Wash as well as another wash on the east side of the freeway. These washes form buffer zones for the rural area lying outside the freeway corridor. Overall, the Oak Hills area could add an additional 12,000 persons by 2030.

The City adopted the Oak Hills Community Plan and the environmental document in 2002. The County adopted its version of the Community Plan in 2003 by creating the Oak Hills Planning Area and extracting portions of the Oak Hills Community Plan and inserting them into the County General Plan and Development Code. This was done so that the Community Plan would be consistent with the format of the County documents. The County adopted its General Plan Update in 2007 and established 13 other community plans, not including the Oak Hills Community Plan. County staff has indicated to LAFCO staff that the Oak Hills Community Plan is currently used as a guideline, and the standards of the Oak Hills Community Plan have been adopted as regional standards. The County's intent, as

conveyed to LAFCO staff, is to re-adopt the Oak Hills Community Plan in the same format as the other community plans.

Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.

The most recent water plan for Zone J is its Water Master Plan from August 2002. The Master Plan addressed service deficiencies, and in general the system at that time lacked supply, storage, and delivery capacity. Since that time Zone J has added significant improvements to its system. The major improvement project is the Zone J Water Transmission and Storage Project. This project was secured with funding from the California Infrastructure and Economic Development Bank and consists of the components listed below. According to County Special District's Department staff, the last component is completion of Well No. 5. As of the time of this writing, the well is anticipated for testing during the early part of the month of October 2008.

- 1,100-foot deep water production well and pipeline construction necessary to connect the well to the existing distribution system,
- 1.75 million gallon welded steel water storage reservoir, and
- Approximately 4.3 miles of pipelines to distribute the water from the new well and to close critical waterline loops in the water distribution system.

Because the number of customers just recently exceeded 3,000, pursuant to the Urban Water Management Planning Act (Water Code Section 10610 et seq.), Zone J will be required to prepare, adopt, and update an urban water management plan at least once every five years in years ending in five or zero.

Zone J maintains four wells, five booster stations, nine water storage reservoirs, and approximately 130 miles of pipelines ranging from six-inches in diameter to 16 inches. The system is divided into four pressure zones, and water is gravity fed from storage reservoirs located in higher elevations. All four wells provide water to pressure zone 2, booster stations supply zones 3 and 4, and pressure zone 1 is supplied by storage in pressure zone 2 through pressure reducing stations. Additionally, all four wells are within the limits of the City of Hesperia and there is no impact with the placement of wells in the City. Special Districts Department staff indicates that the transmission and distribution system is well maintained and in satisfactory condition. In the Oak Hills area, the residential lot size is restricted to a minimum of 2 ½ acres and there is limited commercial activity.

Since 1999, the number of connections has increased by 48% and the chart below shows the number of connections during the ten-year period that followed.

CSA 70 Zone J Connections

Use Type	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Residential	2,145	2,211	2,303	2,374	2,628	2,836	3,010	3,116
Commercial	24	24	24	25	24	24	24	24
Industrial	0	0	0	0	-	-	-	-
Other	0	0	0	0	-	-	-	-
Total	**2,169**	**2,235**	**2,327**	**2,399**	**2,652**	**2,860**	**3,034**	**3,140**

source: 1999/2000 through 2002/03: California Infrastructure and Economic Development Bank, as provided by the County of San Bernardino Special Districts Department

2003/04 through 2006/07: County of San Bernardino Special Districts Department

The District's water source is routinely monitored for contaminants in the system according to Federal and State laws. A review of the 2007 Consumer Confidence Report indicates no violations in primary and secondary standards. Although the water source meets the current standard for arsenic, it does contain low levels.

System improvements scheduled for 2008 with the anticipated cost for 2008 are:

- Line extensions/Looping $ 200,000
- Trans Lines Phase 1 $1,124,072
  (a component of the Zone J Water Transmission and Storage Project)
- Radio Read Meters $ 200,000
- Pipeline Replacement $ 173,599
- Booster 3B Replacement $ 265,279
- Add Booster at 2A at Tank Site $ 210,101

Service Separation Agreements

In 1991 the Hesperia Water District (District) entered into an agreement with Zone J to provide water within the District's jurisdiction on an interim basis until the District could construct a water system to serve the area. This occurred following the annexation of territory westerly of I-15 by the City of Hesperia and the Hesperia Water District. As a part of the approval process for the annexation, the City entered into agreements with the County to develop and implement a separation plan for the CSA 70 Zone J water system. The agreement for the separation plan from 1991 was renegotiated in 2004 and two new agreements were completed as a part of the annexation proceedings for LAFCO 2952 and 2953 (included in Attachment #6). The intent of the separation plans is to maintain the functionality of Zone J, while augmenting the capacity of the City's system to accommodate additional commercial, industrial, and residential uses. The City originally had three years to implement the separations but in 2006 an additional addendum extended the service date. The separation plan had three parts:

- First, the prior separation plan from 1991 was superseded by a new agreement detailing the separation of the District's and Zone J's facilities. The County has identified this agreement as Agreement No. 04-904. The completion time for this agreement was one year. This agreement was extended by action of the County and Hesperia Water District to April 2006 and identified that Zone J could continue to provide service to new customers in the territory during the transition period (LAFCO determined exemption SC255).

- Second, as a part of LAFCO 2952, County Agreement No. 04-905 sets the terms and requirement for transfer of service in the Cataba area. The completion time for this agreement was one year. This agreement was also extended by action of the County and Hesperia Water District to April 2006 and identified that Zone J could continue to provide service to new customers in the territory during the transition period (LAFCO determined exemption SC255). According to City of Hesperia/Hesperia Water District staff, the last step of the separation involves relocation of a system regulator on the Hesperia Water District system and is anticipated to be completed by the end of FY 2008-09. The relocation is part of the construction associated with a commercial development located on the southwest corner of Main Street and Interstate 15.

- Third, as a part of LAFCO 2953, County Agreement No. 04-906 sets the terms and requirement for transfer of service obligation in the Freeway Corridor area, not physical facilities. The completion time for this agreement was three years, or August 2007, This agreement was also extended by action of the County and Hesperia Water District to April 2006 and identified that Zone J could continue to provide service to new customers in the territory during the transition period (LAFCO determined exemption SC255). It is LAFCO staff's understanding that the construction of the facilities necessary to provide service outlined in this agreement has not taken place yet.

Concerns identified regarding the completion of these agreements is further compounded by information related to the California Infrastructure Bank (I-Bank) loan discussed below.

Water Production

Zone J has water production rights (also known as Base Annual Production) to assure 1,015 acre-feet (AF) annually. Zone J is within Alto sub-region, and Free Production Allowance (FPA) is currently at 60% of Base Annual Production, which permits the district 609 AF of FPA for FY 2008-09. As noted in the most recent Watermaster Annual Report, "further rampdown is not warranted in Alto at this time" [11]. Producers are required to replace any water pumped above their FPA by paying the Mojave Basin Area Watermaster to purchase supplemental water or by purchasing unused production rights from another party. As indicated in the table below, the historical trend for Zone J's water production is that it produces more than three times its FPA. Thus, it has to purchase water from other agencies within the sub-basin to avoid paying the higher replacement water and make-up water rates

[11] Mojave Basin Area Watermaster. 14th Annual Report of the Mojave Basin Watermaster; 1 April 1 2008, Ch. 5, pg 29.

charged by the Watermaster. However, for two years it has been obligated to pay for Replacement Water that otherwise could have been purchased from other water agencies if it were available.

CSA 70 Zone J
Water Production and Water Obligations
(units in acre feet unless otherwise noted)

Water Year	Free Production Allowance (FPA)	Carryover from Prior Year	Transfers from Other Water Agencies	Verified Production	Unused FPA or (Water Production in Excess of FPA)	Replacement Water Obligation (Agency overdraft)	Makeup Water Obligation (Watermaster replacement to the sub-basin)
2002-03	754	0	1,133	1,820	0	$0	$0
2003-04	711	0	1,600	2,133	0	$0	$0
2004-05	660	0	1,095	1,933	0	$50,018	0
2005-06	609	0	459	2,115	0	$257,562	$0
2006-07*	609	0	n/a	2,119	0	$440,430	$10,015
2007-08**	609	0	n/a	n/a	n/a	n/a	n/a
2008-09	609	--	--	--	--	--	--

sources: Mojave Basin Area Watermaster, Annual Reports of the Mojave Basin Area Watermaster for Water Years 2003/04 through 2006/07, (April 1, 2005 through April 1, 2008).

Mojave Basin Area Watermaster, Request for Assignment of Carryover Right in Lieu of Payment of Replacement Water Assessments Recommended for Filing, For Water Years 2002/03 through 2006/07.

* Transfers from other water agencies not accounted for yet and data is subject to amendment in Appendix I in Fifteenth Annual Report of the Watermaster due April 2009.

** Draft data (Appendix B) not available until January 2009.

Further, as the population within Zone J increases and supplemental water from the State Water Project is decreased, Zone J will experience increased water supply challenges. The Oak Hills Community Plan area could add an additional 4,478 dwelling units which represents approximately 12,000 persons by 2030 according to City of Hesperia staff. Utilizing the County General Plan coefficient of 2.68 persons per household for the Desert and one-half acre-foot of water per family per year, equates to an additional 2,238 acre-feet per year at build-out. In order to serve these residents, Zone J will either have to acquire additional water rights or pass on the increased cost of replacement and make-up water obligations to its customers.

Roads

In March 2008, the County Board of Supervisors approved the addition of road powers to Zone J. The advisory committee for Zone J is currently working with Special Districts

Department to develop a road maintenance plan that would include road grading and other road improvements, outside the road improvements anticipated by the Oak Hills Transportation Facilities Plan. Future actions would include presenting the community with a ballot measure asking if they are in favor of receiving road maintenance services and paying an annual assessment for these services on their tax bill.

One question on the provision of this service relates to the existence of County Service Area 70 Improvement Zone R-39 (roads) which extends into the Hesperia community and the territory of Zone J. LAFCO staff is unsure as to how two overlapping improvement zones of County Service Area 70 can provide road services at the same time. LAFCO staff would recommend that Special Districts not allow for the overlap of two improvement zones providing road service within the Oak Hills community. CSA 70 Zone R-39 is discussed further in this report.

Financial ability of agencies to provide services.

Zone J is an enterprise entity and primarily relies on service charges for its revenue stream. It does, however, receive roughly one-fifth of its revenues from property taxes and special assessments. A review of Zone J's financial documents indicates its operating revenues (water sales and connection fees) generally are adequate to support its services and debt payments. However, for FY 2007-08 it had an operating loss of $153,229 primarily due to construction costs. However, to mitigate increases in fuel costs, and cost-of-living adjustments, the rates for water service were increased for FY 2008-09 by approximately 2% across all consumption categories.

Payments to the Watermaster (Mojave Water Agency) for water mitigation charges increased from a cost of $447,028 in FY 2007-08 to an estimated cost of $644,424 for FY 2008-09. In addition, pursuant to the terms of California Infrastructure and Economic Development Bank loan (described in detail below), Zone J is reimbursed for expenditures related to the project. Therefore, capital expenditures and reimbursement take place in more than one year, resulting in a yearly fluctuation of the fund balance, dependent upon capital projects.

According to the FY 2008-09 budget, the capital reserve accounts had a balance of $5,584,817, a $900,886 increase from the prior year.

Long-term debt

The County (as governing body of Zone J) entered into an Enterprise Fund Installment Agreement in 2003 with the California Infrastructure and Economic Development Bank (known as and shown as "I-Bank") to fund water system improvements for Zone J. This loan was to cover the costs for the project known as the "County Service Area 70 Zone J Water Transmission and Storage Project" (hereinafter the project). The project consisted of drilling a new water well; constructing a booster station and reservoir; and installing piping so that the system could meet the maximum daily demand as set forth by State law. Pursuant to the contract, the I-Bank issued a total amount of $2.4 million in bonds to Zone J. The term of the agreement is 30 years at an interest rate of 3.09%. As of June 20, 2007, the total amount reimbursed by I-Bank was $2,234,761, and the loan payable balance was $2,043,756. Annual payments by Zone J for the loan are established at $125,610.

Of particular note is that Section 6.02 – Disposition of Property of this loan (copy included in Attachment #6) identifies that a transfer of connections that will result in a decrease in system revenues of five percent (5%) without "prior written approval of CIEDB". On September 22, County Special District staff provided an outline of the current connections within Zone J as follows:

Current Active Connections	3,018
Current Inactive Connections	174
Total Connections	3,192

Special Districts has indicated that there are 99 active connections within City boundaries and 182 inactive connections for a total of 281. City of Hesperia staff has indicated their estimate of connections within the Maple/Topaz strip currently within the City to contain approximately 50 County connections. This leaves 231 connections or 8% of the total Zone J connections subject to the separation agreements for annexations during 2004 as noted above. The sequence of events, as understood by staff, is that loan approval took place in November 2003, with official loan documents signed by the County in January 2004; while LAFCO 2952 was completed on October 26, 2004 and LAFCO 2953 was completed on November 30, 2004. No information within the annexation files referenced the loan; no written approval for removal of these connections/revenues from the I-Bank was or has been provided; and no conditions of approval were attached to the LAFCO considerations related to the loan funded by bonds.

While LAFCO staff is concerned as to how to address its prior actions, of primary concern to LAFCO staff during this service review is how to address future changes of organization. In any future action that would expand the Hesperia Water District boundary in conjunction with a City of Hesperia action, it would by policy require the detachment of CSA 70 and therefore CSA 70 Zone J. In addition there is the current need to resolve boundary conflicts between the Hesperia Water District and Zone J in the Maple/Topaz strip currently a part of the City of Hesperia. To date, these questions remain unanswered.

<u>Status of, and opportunities for, shared facilities.</u>

The Special Districts Department consolidates the administrative operations and facilities for county service areas and improvement zones under the auspices of CSA 70. Zone J shares resources with other CSAs through the Special Districts Department's Water and Sanitation Division operations house at the Victorville office. Zone J also pays an allocated share for administrative facility use.

Zone J has inter-tie connectivity with the water system of Hesperia Water District and Zone L in case of emergencies.

<u>Accountability for community service needs, including governmental structure and operational efficiencies.</u>

Local Government Structure and Accountability for Community Service Needs

Zone J is an improvement zone of County Service Area 70 and is governed by the County Board of Supervisors and administered by County Special District Department; it is within the political boundaries of the First Supervisorial District. The District has a five member water advisory commission appointed by the Board and utilizes the Oak Hills Community Building (County Fire Station #40) for meetings.

Zone J budgets and fee schedules are prepared as a part of the County Special Districts Department's annual budgeting process. Zone J's annual budget is presented to the County Administrative Office and Board of Supervisors for review and approval. The Operations Division of the Special Districts Department presents quarterly financial reports of Zone J's activities.

Operational Efficiency

As a mechanism to control costs, the County of San Bernardino Special Districts Department has consolidated many of the administrative and technical functions necessary to manage the various services provided under County Service Area 70. Therefore, Zone J has no direct employees; it pays for a proportional share of salaries and benefits costs necessary to serve it; it pays a proportional share of the administrative costs of the Water and Sanitation Division; and it pays a proportional cost of the administrative functions of the County Special Districts Department**.** To pay for these functions, the FY 2008-09 Proposed Budget indicates a transfer to CSA 70 Countywide of $1,164,111 for management and operations support ($855,753 for Salaries and Benefits and $308,358 for Services and Supplies).

The Water and Sanitation Division of the Special Districts Department has found the most cost-effective measure for extending the life of the aquifers that provide water to the district is through conservation efforts. The conservation message is communicated through handouts and information packets to customers that are made available at no charge to the customer. The Division has increased its participation in the Alliance for Water Awareness & Conservation (AWAC) program. The Division, as an AWAC member, participates in workshops, outreach events, and public education to communicate the conservation message. Another facet of conservation activity by the Division is its long-time participation in the Desert Communities Water Awareness Expo (Expo). The Expo group is also involved with communicating water conservation messages and resources at the Annual Home and Garden Show.

Government Structure Options

There are two types of government structure options:

1. Areas served by the agency outside its boundaries through "out-of-agency" service contracts;

2. Other potential government structure changes such as consolidations, reorganizations, dissolutions, etc.

Out-of-Agency Service Agreements:

Zone J and Hesperia Water District have agreements related to the transition of service which require Zone J to continue to provide service within the boundaries of the Hesperia Water District. In addition, Zone J currently has territory within the City of Hesperia, known as the Maple-Topaz strip, outside of the Hesperia Water District.

Government Structure Options:

Special Districts Department staff indicated in the materials submitted that due to the size and location of Zone J, the community is best served by a county service area [improvement zone of CSA 70] where it can enjoy economies of scale while paying minimal costs for the services received. Further, Special Districts Department states that Zone J needs to maintain the existing structure to guarantee its continued operation.

While the discussion of some government structure options may be theoretical, a service review should address possible options.

- Dissolution of Zone J with the Hesperia Water District (District) annexing the entirety of Zone J (Oak Hills community). In this option, the Hesperia Water District (and the City of Hesperia as the governing body of the District), would annex the entirety of Zone J. The District would then be the responsible entity for water service.

  The contract with the California Infrastructure and Economic Development Bank (I-Bank) places restrictions on actions that could lead to a reduction in Zone J's financial viability, such as the transfer of revenue producing customers. First, the contractual obligations of Zone J to the I-Bank may not be assumed by another entity except in connection with a transfer of the entire system and only upon prior written approval of the I-Bank. Second, Zone J cannot authorize the disposition of property constituting more than 10% of the value of its system unless an independent consultant concludes that such a disposition would not affect its ability to repay the loan. Further, Zone J cannot authorize the removal of property from the system that will result in a decrease of system revenues of more that 5% without written approval of the I-Bank. If the District annexes the entirety of Zone J, it would then succeed to the I-Bank contract.

  Given the recognition of the Oak Hills community by the County and the City of Hesperia, the restrictions and challenges associated with the I-Bank loan, as well as the long held voter opposition to annexation, the transfer of the Zone J system (Oak Hills community) through dissolution seems unlikely at this time.

- Annexation to include the Summit Valley area. This option would expand the jurisdiction of Zone J to include the Summit Valley area. The specific plan for projects in this area indicates that water would be supplied by means other than Zone J. Further, the lack of current infrastructure in this area would require the construction and/or extension of facilities to provide the service without a current

customer base to support capital improvements. In addition, master plans for the Hesperia Water District include the installation of infrastructure in this area to provide for a municipal level of water and sewer service. Therefore, this option is not supportable.

- Maintenance of the current structure. Zone J defines the community of Oak Hills and the infrastructure challenges identified above, point toward a maintenance of the existing system delineations.

One area of concern relates to ongoing annexation activity in the Oak Hills community. If the LAFCO receives an application from the City of Hesperia to annex into Zone J's jurisdiction, such an application typically would be processed to include annexations to the Hesperia Water District and Hesperia Fire Protection District and detachment from Zone J. However, the integrity of the Zone J's system would have to be taken into account. LAFCO staff provides two options which would allow annexation to proceed while maintaining the Zone J system integrity:

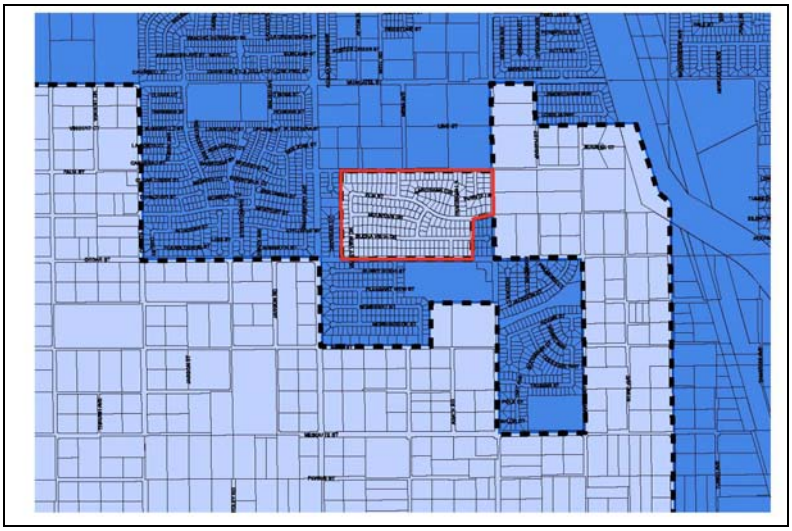
- o One option would be annexation to the City, Hesperia Water District, and Hesperia Fire Protection District and detachment from Zone J's boundaries with a subsequent out-of-agency service contract for Zone J to continue to serve outside of its boundaries. This would keep the integrity of the Zone J system and maintain the revenue stream to secure the I-Bank loan.

- o The second option would be annexation to the City and Hesperia Fire Protection District only. This option would remove the concurrent annexation to Hesperia Water District and detachment from Zone J from the process. This would go against the Commission's policy for maintenance of the community of service agencies.

COUNTY SERVICE AREA 70
IMPROVEMENT ZONE SP-2 (HIGH COUNTRY)

INTRODUCTION:

The Board of Supervisors formed County Service Area 70 Improvement Zone SP-2 (SP-2) in 1985 to provide sewer collection and treatment through a package sewer system to an 80-acre tract development in the Oak Hills portion of the Hesperia community. SP-2 is a board-governed entity that is administered by the County Special Districts Department. It currently encompasses approximately 75.5 acres known as Tract 11954 (High Country), comprising most of the south half of the northeast quarter of Section, Township 4 North, Range 5 West. A map of SP-2 is included in Attachment #7 and shown below.



In 1987, the Board of Supervisors authorized service to be provided by SP-2 through collection and transportation to the regional wastewater entity, the Victor Valley Wastewater Reclamation Authority (VVWRA), via the Hesperia Water District local collection system for 226 units. This agreement was approved by the Hesperia Water District and VVWRA members with SP-2 utilizing the membership status of County Service Areas 42 (Oro Grande) and 64 (Spring Valley Lake) to receive service. This agreement has been amended in 2004 to include service to Tract 13076 (approximately 200 units) and the facilities of Southern California Edison and the Hesperia Recreation and Parks District.

MUNICIPAL SERVICE REVIEW SUMMARY

SP-2 is not under LAFCO purview, therefore only information related to a municipal service review is provided. Special Districts Department's response to LAFCO's request for information is summarized below and is included as a part of Attachment #7.

Growth and population projections for the affected area.

Growth is not anticipated to be significant, due to the limited number of vacant lots within the boundaries of SP-2. Any growth would be of homes not already connected to the system, if any.

Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.

SP-2 has roughly 235 connections (251 equivalent dwelling units) within its boundaries. The collector lines connect to the VVWRA interceptor which conveys the flow to VVWRA's regional wastewater treatment plant. VVWRA is a regional joint powers authority formed in 1978 and consists of the Cities of Hesperia and Victorville, the Town of Apple Valley, and County Service Areas 42 and 64. SP-2 utilizes the membership status of CSAs 42 and 64 for its effluent to be treated by VVWRA.

SP-2 is responsible for the maintenance and operation of its facilities, and the Hesperia Water District maintains the collection lines and facilities which connect to SP-2's sewer system. There are no known sewer plans for SP-2.

Financial ability of agencies to provide services.

SP-2 is an enterprise entity; it receives no property taxes and relies on service charges and connection fees. A review of SP-2's financial documents indicates its operating revenues are generally adequate to support its services. Expenditures are comprised of services related to waste collection and transfers to County Service Area 70 for salaries and benefits and service and supplies. According to the FY 2008-09 Budget, SP-2's operating fund has a fund balance of $146,612 and the capital improvement funds have a combined balance of $390,097.

The financial documents provided did not indicate if SP-2 has any long-term debt. Hesperia Water District bills the same amount for VVWRA service within its boundaries and that of SP-2.

Status of, and opportunities for, shared facilities.

The Special Districts Department consolidates the administrative operations and facilities for county service areas under the auspices of CSA 70. SP-2 shares resources with other CSAs and their improvement zones through the Special Districts Department's Water and Sanitation Division office in Victorville. SP-2 pays an allocated share for administrative facility use.

The SP-2 sewer collection system is connected to Hesperia Water's sewer collection lines and facilities.

Accountability for community service needs, including governmental structure and operational efficiencies.

Local Government Structure and Accountability for Community Service Needs

SP-2 is an improvement zone of County Service Area 70 and is governed by the County Board of Supervisors and administered by County Special District Department; it is within the political boundaries of the First Supervisorial District. SP-2 does not utilize an advisory commission or municipal advisory council.

SP-2 budgets and fee schedules are prepared as a part of the County Special Districts Department's annual budgeting process. SP-2's annual budget is presented to the County Administrative Office and Board of Supervisors for review and approval.

Operational Efficiency

As a mechanism to control costs, the County of San Bernardino Special Districts Department has consolidated many of the administrative and technical functions necessary to manage the various services provided under County Service Area 70. Therefore, SP-2 has no direct employees; it pays for a proportional share of salaries and benefits costs necessary to serve it; it pays a proportional share of the administrative costs of the Water and Sanitation Division; and it pays a proportional cost of the administrative functions of the County Special Districts Department**.** To pay for these functions, the FY 2008-09 Proposed Budget indicates a transfer to CSA 70 Countywide of $111,259 for management and support services ($65,256 for Salaries and Benefits and $46,003 for Services and Supplies).

Government Structure Options

There are two types of government structure options:

1. Areas served by the agency outside its boundaries through "out-of-agency" service contracts;

2. Other potential government structure changes such as consolidations, reorganizations, dissolutions, etc.

Out-of-Agency Service Agreements:

LAFCO staff is not aware of any service provided outside of SP-2's jurisdiction. However, SP-2 is responsible for the maintenance and operation of its facilities, and the Hesperia Water District maintains the collection lines and facilities which connect to SP-2's sewer system.

SP-2 contracts for the use of its collection system to transport effluent from Tract 13076, within the Hesperia Water District, since around 2000. Further, on September 23, 2008 the County Board of Supervisors approved SP-2 to enter into an agreement with the Hesperia Water District to provide for use of the SP-2

wastewater system to transport effluent from the Hesperia Unified School District's Cedar Middle School.

Government Structure Options:

While the discussion of some government structure options may be theoretical, a service review should address possible options.

- Dissolution of SP-2. If the Hesperia Water District (and the City of Hesperia as the governing body of the District) proposed annexation of this area, such an application would be processed to include dissolution of SP-2, as required by law. The Hesperia Water District would then be the responsible entity for sewer service. This option is viable since the SP-2 service area is part of an "island" as such is defined by Commission policy and Government Code Section 56375.3.

- Maintenance of the current structure. LAFCO has no purview over SP-2. However, if LAFCO received an application from the City and the Water District for an annexation to include SP-2's boundaries, such an application would be processed to include dissolution of SP-2, to clarify service relationships and to remove CSA 70 from within the boundaries of the City. The only way to retain SP-2 following annexation would be to retain its parent district, CSA 70, within the boundaries of the City of Hesperia, against all LAFCO policies and direction of State law.

HESPERIA WATER DISTRICT
Municipal Service Review and Sphere of Influence Update

INTRODUCTION:

LAFCO 3036 consists of a municipal service review pursuant to Government Code Section 56430 and sphere of influence update to include a sphere modification pursuant to Government Code 56425 for the Hesperia Water District. The District's response and supporting materials are included as Attachment #8 to this report and are briefly summarized in the information below.

The District is an independent special district that was formed in 1975 as a county water district. The Victor Valley Water District purchased the former Hesperia Mutual Water Company from its shareholders in 1972 and operated the system as a separate entity. In order to bring its operations under the umbrella of the District it proposed the annexation of the Hesperia community (LAFCO 1494). In response to the Victor Valley Water District's annexation application into the Hesperia community, the Hesperia Municipal Advisory Council responded by submitting an application to form the Hesperia County Water District (LAFCO 1497). Both proposals were conditionally approved by LAFCO and by the County Board of Supervisors for placement as ballot measures subject to voter approval, with the measure with the lowest number of votes not being effective. The formation of the Hesperia County Water District was chosen by the electorate over the Victor Valley Water District annexation and it assumed the outstanding debt to purchase the portion of the system southerly of Bear Valley Road.

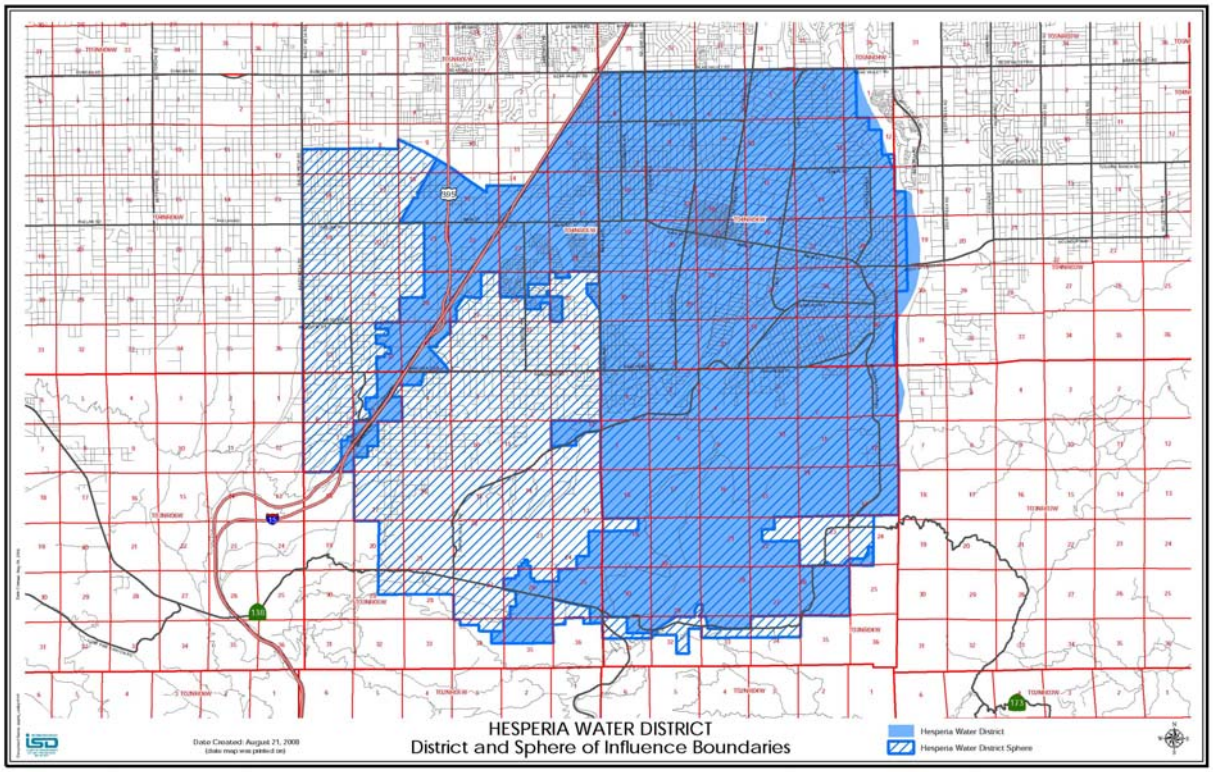
In the late 1970s the District acquired the area known as the Hesperia Trout Farm and Fish Hatchery and planned to provide park and recreation services to the site. Therefore, it applied to LAFCO for the expansion of its list of services authority and the Hesperia Park and Recreation consented to this application. In 1978, LAFCO approved the addition of park and recreation powers as well as sanitation (solid waste) powers for the purpose of administrative and quality control of the area's sanitation service (LAFCO 1782).

In 1990, the District was established as a subsidiary district of the City of Hesperia and operates under Section 30000 et seq. of the California Water Code. The District comprises approximately 77 square miles and is currently authorized by LAFCO to provide water, sanitation, sewer, and park and recreation (limited to trout farm and campground). As discussed in this report, LAFCO staff is proposing the removal of sanitation (solid waste) powers from the Water District because the City already has authority to provide that service and has issued a franchise for this service to Advance Disposal since 2000.

BOUNDARIES:

The District has a different boundary than the City of Hesperia, but its sphere of influence is coterminous with the City's sphere. The service review and sphere study area includes the corporate boundaries of the City and the unincorporated communities of Oak Hills and Summit Valley. The study area is generally east of the Phelan Piñon Hills Community Services District, south of the Victorville Water District, west of the Apple Valley Ranchos Water Company, and north of the National Forest. The area is generally bordered by a

combination of the Phelan Piñon Hills Community Services District, section lines and half section lines on the west; the Victorville Water District and its sphere of influence on the north; a combination of the Town of Apple Valley, its sphere of influence, and section and half-section lines on the east; and a combination of half-section lines and parcel boundaries which traverse along the courses of Highways 173 and 138 on the south. A map of the District's current boundaries and sphere is included as a part of Attachment #8 and shown below:



As discussed in this report, LAFCO staff is recommending minor modifications to the District's sphere of influence along its eastern boundary to clarify service delivery along the Mojave River generally following parcel lines south of Bear Valley Road and a sphere reduction of approximately 338 acres in the Silverwood Lake area.

MUNICIPAL SERVICE REVIEW SUMMARY

The District prepared a service review consistent with LAFCO's policies and procedures and the factors required by Government Code Section 56430. The District's response to LAFCO's requests for materials includes, but is not limited to, the District's budgets, and comprehensive annual financial reports.

<u>Growth and population projections for the affected area.</u>

The District's sphere is coterminous with the City of Hesperia's sphere which includes the unincorporated communities of Oak Hills and Summit Valley. However, its boundaries are

larger than those of the City within the Summit Valley area, generally northwesterly of Rancho Las Flores and smaller than the City . This territory has no service connections or known population; therefore for this discussion the growth and population projections for the City are used for the District and are not reiterated here.

Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.

The District is authorized by LAFCO to provide water, sewer, sanitation, and park and recreation.

Water

The source for water is local ground water. There are 15 storage reservoirs with a total capacity of 49.5 million gallons, up to three days supply based on average daily demand which can be delivered by gravity in the event of a loss of power. The District's system has 15 wells with capacities ranging from 800 to 2,600 gallons per minute. From the wells, water is conveyed through a system of pipes ranging between 2 to 24 inches. The 15 wells were constructed between 1978 and 2004. In the materials supplied for this review, the District states that the wells are operating between 55 and 74 percent efficiency and the existing booster capacities are adequate. For the areas annexed in 2004, the Freeway Corridor and Cataba, additional reservoirs, waterlines, and boosters will need to be constructed. The District recently added two wells which increase overall water production by 2,000 gallons per minute. These additions will help meet anticipated water demands.

The 2005 Urban Water Management Plan includes the Rancho Las Flores and Summit Valley Ranch developments and states that the District's system can meet demand through 2030 with a projected total demand in 2030 of approximately 55,300 acre-feet and a projected supply capability of 99,325 acre-feet. However, the District's current and future water supplies are dependent upon supplemental water from the State Water Project. Current demand is about 15 million gallons per day (mgd), and maximum daily demand is about 25.6 mgd. Production capacity is about 32.7 mgd. The 2005 Urban Water Management Plan estimates 51,000 dwelling units will require service by 2030. In reviewing the service review materials provided by the District, County Environmental Health Service staff questions the ability of the City of Hesperia/District to supply water to its sphere area at build-out when the District is currently purchasing supplemental water from the State through Mojave Water Agency. Further, EHS states that the sphere area is not adequately supported financially or physically for water service at build-out.

As shown in the chart below, the growth of the District's customers and average daily consumption has increased dramatically since 1998, along with its maximum daily capacity due to new wells coming on line in 2007.

Hesperia Water District Historic Connection Data

Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
New Connections	195	200	174	263	500	687	1,115	1,173	1,792	1,200
Avg. Daily Consumption (thousands of gallons)	9,909	13,390	13,471	13,390	13,837	15,622	13,658	14,729	15,176	15,622
Max Daily Capacity (millions of gallons)	9.909	13.390	13.471	13.390	13.837	15.622	13.658	14.729	15.176	27.140

The District's supply meets all primary and secondary water standards with low levels of nitrates and arsenic. In 2002, the District won the International Water Tasting Competition.

This year, the District is replacing about 110,000 feet of steel water lines in 50 streets. A significant portion of the pipes are over 50 years old. If the District keeps replacing the water lines at the current pace, it will have replaced all of the original lines by 2020. The District is also constructing a new reservoir.

The District has water production rights (also known as Base Annual Production) to assure 13,588 acre-feet (AF) annually. The District is within Alto sub-region, and Free Production Allowance (FPA) is currently at 60% of Base Annual Production, which permits the district 8,153 AF of FPA for FY 2008-09. As noted in the most recent Watermaster Annual Report, "further rampdown is not warranted in Alto at this time" [12]. Producers are required to replace any water pumped above their FPA by paying the Mojave Basin Area Watermaster to purchase supplemental water or by purchasing unused production rights from another party. As indicated in the table below, the historical trend for the District's water production is that it produces more than three times its FPA. Thus, it has to purchase water from other agencies within the sub-basin to avoid paying the higher replacement water and make-up water rates charged by the Watermaster. However, for Water Year 2005-06 it was obligated to pay for Replacement Water that otherwise could have been purchased from other water agencies. Further, as the population within the District increases and supplemental water from the State Water Project is decreased, the District will experience water supply challenges. These challenges could result in increased payments to the Watermaster, and the increased costs will be passed on to the customers within the District.

[12] Mojave Basin Area Watermaster. 14th Annual Report of the Mojave Basin Watermaster; April 1, 2008, Ch. 5, pg 29.

Hesperia Water District
Water Production and Water Obligations
(units in acre feet unless otherwise noted)

Water Year	Free Production Allowance (FPA)	Carryover from Prior Year	Transfers from Other Water Agencies	Verified Production	Unused FPA or (Water Production in Excess of FPA)	Replacement Water Obligation (Agency overdraft)	Makeup Water Obligation (Watermaster replacement to the sub-basin)
2002-03	10,187	5,632	6,004	15,212	6,611	$0	$0
2003-04	9,512	6,611	4,535	16,576	4,071	$0	$3,711.42
2004-05	8,833	4,071	4,410	16,381	933	$0	$0
2005-06	8,153	933	8,022	17,974	0	$213,036	$0
2006-07*	8,153	n/a	n/a	19,778	0	$3,220,125	$134,073
2007-08**	8,153	0	n/a	n/a	n/a	n/a	n/a
2008-09	8,153	--	--	--	--	--	--

sources: Mojave Basin Area Watermaster, Annual Reports of the Mojave Basin Area Watermaster for Water Years 2003/04 through 2006/07, (April 1, 2005 through April 1, 2008).

Mojave Basin Area Watermaster, Request for Assignment of Carryover Right in Lieu of Payment of Replacement Water Assessments Recommended for Filing, For Water Years 2002/03 through 2006/07.

* Transfers from other water agencies not accounted for yet and data is subject to amendment in Appendix I in Fifteenth Annual Report of the Watermaster due April 2009.

** Draft data (Appendix B) not available until January 2009.

Service Separation Agreements

In 1991 the Hesperia Water District (District) entered into an agreement with Zone J to provide water within the District's jurisdiction on an interim basis until the District could construct a water system to serve the area. This occurred following the annexation of territory westerly of I-15 by the City of Hesperia and the Hesperia Water District. As a part of the approval process for the annexation, the City entered into agreements with the County to develop and implement a separation plan for the CSA 70 Zone J water system. The agreement for the separation plan from 1991 was renegotiated in 2004 and two new agreements were completed as a part of the annexation proceedings for LAFCO 2952 and 2953. The intent of the separation plan is to maintain the functionality of Zone J, while augmenting the capacity of the City's system to accommodate additional commercial, industrial, and residential uses. The City originally had three years to implement the separations, but in 2006 a further addendum extended the service date. The separation plan had three parts:

- First, the prior separation plan from 1991 was superseded by a new agreement detailing the separation of the District's and Zone J's facilities. The County has identified this agreement as Agreement No. 04-904. The completion time for this agreement was one year. This agreement was extended by action of the County and Hesperia Water District to April 2006 and identified that Zone J could continue to provide service to new customers in the territory during the transition period (LAFCO determined exemption SC255).

- Second, as a part of LAFCO 2952, County Agreement No. 04-905 sets the terms and requirement for transfer of service in the Cataba area. The completion time for this agreement was one year. This agreement was also extended by action of the County and Hesperia Water District to April 2006 and identified that Zone J could continue to provide service to new customers in the territory during the transition period (LAFCO determined exemption SC255). According to City of Hesperia/Hesperia Water District staff, the last step of the separation involves relocation of a system regulator on the Hesperia Water District system and is anticipated to be completed by the end of FY 2008-09. The relocation is part of the construction associated with a commercial development located on the southwest corner of Main Street and Interstate 15.

- Third, as a part of LAFCO 2953, County Agreement No. 04-906 sets the terms and requirement for transfer of service obligation in the Freeway Corridor area, not physical facilities. The completion time for this agreement was three years, or August 2007. This agreement was also extended by action of the County and Hesperia Water District to April 2006 and identified that Zone J could continue to provide service to new customers in the territory during the transition period (LAFCO determined exemption SC255). It is LAFCO staff's understanding that the construction of the facilities necessary to provide service outlined in this agreement has not taken place yet.

Recycled Water

The 2008 Recycled Water Master Plan and 2008 Wastewater Master Plan study areas include the majority of the City but do not include the future developments of North Summit Valley, Rancho Las Flores, and Summit Valley Ranch. The City currently does not have a recycled water system or any customers that are served with recycled or non-potable water. In anticipation of recycled water becoming available in the near future, the two most recently constructed parks, Mission Crest and Civic Plaza, are plumbed with purple pipe (PVC pipe that carries reclaimed water). The City's wastewater is treated by VVWRA, and due to the distance from the wastewater reclamation plant, the City does not readily have access to recycled water from this plant. Therefore, the City is planning to construct three wastewater reclamation plants on its own. The figure below describes the location and capacities of the projected plants.

Projected Recycled Water Supply from Wastewater Reclamation Plants

Plant	Location	Projected ADWF[1] 2012 (mgd)	Projected ADWF[1] 2022 (mgd)	Projected ADWF[1] 2032 (mgd)	Plant Capacity 2032 (mgd)
WRP-1	Near the intersection of Main St and west of Cataba Rd	2.3	4.8	5.7	7.4
WRP-2	Near the intersection of Osbrink Dr and Santa Fe East Ave	N/A[2]	5.1	6.5	8.5
WRP-3	In the northern portion of the RLF Development, about 2 miles south of Ranchero Road	N/A[2]	2.9	3.7	4.7
Totals[3]		2.3	12.8	15.9	20.6

Notes:
(1) ADWF = Average Dry Weather Flow
(2) WRP-2 and WRP-3 are not planned to be on-line until year 2017
(3) Totals exclude flows from the area south of Whitehaven

Source: City of Hesperia, 2008 Recycled Water Master Plan

The Wastewater Reclamation Plant projects are divided into four phases:

- Phase 1 (2007-2012): No recycled water service. Construction of WRP-1. $33.4 million estimated cost.
- Phase 2 (2013-2017): Construction of WRP-2 and WRP-3. WRP-1 recycled water service of up to 2.3 mgd. $48.3 million estimated cost.
- Phase 3 (2018-2022): Construction of pipes in Zones 3200 and 3400. Combined WRP-1 and WRP-2 recycled water service of up to 7.9 mgd. The recycled water from WRP-3 is projected to reach up to 2.5 mgd. $19.7 million estimated cost.
- Phase 4 (2023-2032): Expansion of system due to flow increases. The combined recycled water supply from WRP-1 and WRP-2 is projected to reach up to 12.7 mgd. The recycled water from WRP-3 is projected to reach up to 3.7 mgd. $1.6 million estimated cost.

The potential system also contains six reservoir sites with a combined storage volume of 10.5 million gallons, four booster pumps, and two pressure reducing stations. Outside the study area of the Plan is another 3.7 million gallon per day wastewater reclamation plant within the Rancho Las Flores development.

Outfall Lines

The Crestline Sanitation District collects, treats, and disposes of domestic wastewater from the sewer areas of Crestline, Lake Gregory, Valley of Enchantment, and the Silverwood recreational areas. Effluent from the treatment plans is discharged to a single outfall pipeline, built in 1970, which conveys all of the treated wastewater to the Las Flores Ranch area, north of Silverwood Lake. There, the effluent is used for pasture irrigation. The effluent outfall system terminates at a receiving channel and flood-irrigates a pasture area of the Las Flores Ranch in Summit Valley. During emergency, the flow can also be diverted

to the adjacent sand beds for percolation. The District has an agreement with the Las Flores Ranch to accept treated effluent. Disposal is upon land owned by the District and Las Flores Ranch.

The Lake Arrowhead Community Services District effluent is conveyed from the Willow Creek Wastewater Treatment Plant to the Grass Valley Wastewater Treatment Plant for eventual disposal through a 9.4-mile outfall pipeline to a percolation site near Hesperia Lakes where the water is used for crop irrigation and also to infiltrate effluent through percolation ponds.

Sewer

Sewer collection and transportation is provided to portions within City limits by the District, and there is some municipal sewer service in the sphere area. The District states that sewer service is generally limited to portions of the commercial and industrial areas, as well as residential areas with densities exceeding two dwelling units per acre. In 2005 approximately 24% of the City had sewer service.[13] The District's Urban Water Management Plan indicates that 65% of new development in the District is estimated to have sewer service and in 2025 95% of the City's growth is projected to have sewer service.

The wastewater system consists of gravity sewer pipes, 882 manholes, 51 cleanouts, one operational lift station, and one force main. The chart below shows the sharp increase in the miles of sewer lines and treatment capacity since 1998.

Historic Sewer Data

Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Sewer Miles	39	40	50	63	69	70	74	85	103	115
Max Daily Treatment Capacity (thousands of gallons)	1,000	1,030	1,075	1,095	1,125	1,170	1,215	1,250	1,325	1,350

Currently, all wastewater is transported to the regional treatment facility operated by the Victor Valley Wastewater Reclamation Authority (VVWRA). Revenues related to new connections to the District's sewer system are used to fund expansions to the treatment facility. VVWRA is planning a new treatment facility to be located near Hesperia Lakes Park. This facility will also accept wastewater from developments in Summit Valley and Rancho Las Flores.

The District has identified that one of its primary goals is to extend sewer service to portions of the District planned for commercial, industrial, and higher density residential uses. These

[13] Victor Valley Wastewater Reclamation Authority. Sewerage Facilities Plan Update (2005) as cited in Hesperia Water District 2005 Urban Water Management Plan.

areas are located along the freeway corridor, west of Maple Avenue, and in the industrial area between the railroad and I Avenue.

Sanitation

While authorized sanitation powers (solid waste), neither the District nor the City performs the service. The City has granted a franchise for sanitation service to Advance Disposal since 2000.

Park and Recreation

The District is authorized park and recreation powers but the service is limited to a trout farm and campground at Hesperia Lake as required by the provisions of the California Water Code. The District has no adopted plans for the service or its expansion. The Hesperia Water District allows the Hesperia Recreation and Park District to conjunctively use the Lake, and planning for the use of the Lake for recreation purposes is in the Hesperia Park and Recreation District Park Master Plan and is discussed in that portion of this report.

Financial ability of agencies to provide services.

The District's revenues are adequate to currently support its operating activities. However, operating costs are increasing due to increased costs of purchasing supplemental water. In response to the increased operating costs, the District increased its water rates for the first time in many years. Revenues received are used to pay for the costs of purchasing and distributing water and for collection and transportation of the sewage. For the FY 2008-09 budget, the District anticipates:

- Total revenue is expected to increase about $0.6 million or 3% from prior year's budget to $23.2 million. This anticipates an overall increase in revenue although a decline in development activity is expected.

- Water sales revenue, which is 63% of the District's total revenue, is anticipating a 29% increase since FY 2005-06 Actual of $11.3 million to the FY 2008-08 Budget of $14.6 million.

- A 53% increase in materials costs included in the FY 2008-09 Budget, from $2.4 million to $3.7 million, is due to increased costs associated with the purchase of make-up water leases from private owners or the Mojave Water Agency (leases have increased 26-30 percent).

- Sewer rates are largely determined by the pass through rate to VVWRA. Sewer Operating and Capital revenues are anticipated to decrease by 22% from FY 2005-06 Actual of $3.2 million to the FY 2008-09 Budget of $2.5 million. This decrease is primarily due to the housing slump, as indicated by a 73% decline in sewer development revenue. However, this is mitigated by sewer billing revenue increasing by 40%.

- Treatment charges from the Victor Valley Wastewater Reclamation Authority (VVWRA) increased 25% in FY 2007-08 and will increase by 20% in FY 2008-09. Sewer treatment charges paid to VVWRA are estimated to be $950,000 or 62% of the $1.5 million Sewer Operations FY 2008-09 Budget.

Reserves

The District has a policy to maintain 10% cash reserves as a percent of expenditures. For the year, reserves are anticipated to be 30%. These reserves will help the District pay for the increased costs related to construction materials and supplemental water purchases.

Capital Improvement

The FY 2008-09 capital improvement budget for Water totals $9.4 million and consists of:

- Pipeline replacement program - $1 million budgeted as a carryover for the FY 2006-07 waterline replacement program.

- New Water Infrastructure Project - $500,000 is included for a new well site. The project is to identify potential sites for future wells.

- Seven other projects which include $4 million or the Plan 19 reservoir improvement and $1.2 million for the Interstate 15 Corridor water system design.

The FY 2008-09 capital improvement budget for Sewer totals $2.7 million and consists of sewer upgrades ($975,000) and the costs related to the sub-regional wastewater reclamation plant ($1,675,000).

Pass-Through

LAFCO staff requested information from the City Finance Department related to the receipt of pass-through revenues from redevelopment activities. The budget materials submitted by the City identify the pass-through revenues for the City's Redevelopment Project areas. However, the City, Hesperia Water District, and Hesperia Fire Protection District are eligible for receipt of pass-through revenues from the Victor Valley Economic Development Authority (VVEDA) which is operated by the City of Victorville. During discussions of the dissolutions of the three Victorville subsidiary special districts correspondence provided to LAFCO staff from the firm of Rosenow Spevacek Group Inc. (the firm which provided the information for pass-through agreements for the Victor Valley Economic Development Agency, a redevelopment agency), dated May 15, 2008, identified that the pass-through required from VVEDA for the subsidiary districts, was provided directly to the City of Victorville as a lump sum. In discussions with LAFCO staff, the City of Hesperia has indicated that it is not aware of any requirement to apportion these redevelopment revenues to the subsidiary districts. LAFCO staff disagrees, since redevelopment pass-through funds are determined based upon tax increment growth of the ad valorem property tax. The City and the subsidiary districts have a percentage share of these ad valorem dollars which should be attributed to the pass-through amount received.

Long-Term Debt

The District has outstanding principal debt of $17,159,652, and consists of the following:

Debt Type (Project)	Original Principal	Est. Principal Outstanding July 1, 2008	Maturity Date
1987 Prop 28 Loan from the State	$5,000,000	$554,652	October 1, 2009
1992B Certificates of Participation	1,405,000	1,075,000	June 1, 2022
1998A Refunding Bonds	18,040,000	14,100,000	June 1, 2026
1998B Refunding Bonds	2,070,000	1,430,000	June 1, 2022
Total Principal Debt	$26,515,000	$17,159,652	

Status of, and opportunities for, shared facilities.

The City consolidates the management of the Hesperia Water District, Redevelopment Agency, and Hesperia Fire Protection District at the new City Hall. When the new Public Works building is completed, it will house the Hesperia Water District, street maintenance operations, and record archives.

The Hesperia Lake is within the boundaries of the Hesperia Water District, who actually owns the Lake. Through agreement, the Hesperia Recreation and Park District is allowed to provide recreation programs at the site which include water classes and summer camp.

The Regional Wastewater Reclamation Facility is shared with the other participants in a joint powers authority, the Victor Valley Wastewater Reclamation Authority (VVWRA). The VVWRA is a Joint-Powers Agency created expressly for the purpose of treatment of wastewater through a regional facility and the ultimate disposal of effluent and solids.

Accountability for community service needs, including governmental structure and operational efficiencies.

Local Government Structure and Community Service Needs

The City, as the governing board of the District, is governed by five council members elected at large to four-year staggered terms. Below is the composition of the current council/board, their positions, and terms of office:

Council/Board Member	Title	Term
Mike Leonard	Mayor	2008
Thurston Smith	Mayor Pro Tem	2010
Tad Honeycutt	Council Member	2008
Ed Pack	Council Member	2010
Rita Vogler	Council Member	2010

City council meetings are held the first and third Tuesday of each month at the Hesperia City Hall at 6:30 p.m. The City complies with the Brown Act, and the public is welcome. The City Council convenes separate meetings as the Board of the District for items related solely to the District. For certain items of common interest, joint meetings are held. Meetings are available on the City website. To foster transparency, LAFCO staff recommends separate budget documents for the City's subsidiary districts.

Each year the proposed budget is presented to the City Council during a public hearing, and the budget is adopted each year by the Council. The Council also convenes as the Board of the District and passes the budget and annual appropriations limits through resolution. The City publishes a quarterly newsletter that includes information related to the District and fire safety, which is mailed to all of the postal addresses within the City.

Operational Efficiency

The District and the City coordinate construction of master planned facilities with private developers to maximize efficiency. Examples include the storm drain and paseo linking Hesperia Community Park with several residential tracts located to the north and east. The City also provides administrative services such as budget, accounting, personnel, and legal services to the other agencies for which it is responsible. The City is refunded for this support.

Operational efficiencies are realized through several joint agency practices. As mentioned above, the District is a member of the Victor Valley Wastewater Reclamation Authority (VVWRA). The District is a member of the Alto sub-basin Committee for the Mojave River Basin Watermaster. The District works with the Mojave Water Agency and San Bernardino Flood Control on joint projects, such as the Ranchero Road Recharge Basin on the Antelope Valley Wash.

Government Structure Options

There are two types of government structure options:

1. Areas served by the agency outside its boundaries through "out-of-agency" service contracts;

2. Other potential government structure changes such as consolidations, reorganizations, dissolutions, etc.

Out-of-Agency Service Agreements:

The District has indicated that it does not currently provide service outside its boundaries. However, the District collects and transports County Service Area 70 Improvement Zone SP-2's (SP-2) effluent to the Victor Valley Wastewater Reclamation Facility. SP-2 is responsible for the maintenance and operation of its facilities, and the Hesperia Water District maintains the collection lines and facilities which connect to SP-2's sewer system.

In addition, LAFCO has approved Out-of-Agency service agreements identified as SC 322, 321, 320, and 319 to provide for water and sewer service outside its boundaries within the City of Hesperia to 322 residential lots and the Hesperia Unified School District's High School #3 in the unincorporated area. The three residential tracts approved, SC 322, 321 and 319, are located in the Maple/Topaz strip currently in the City but not the Water District. At the time that the City incorporated, the territory between Maple and Topaz in CSA 70 Zone J was not annexed to the Hesperia Water District. The rationale for overriding Commission policy was the concern, at that time, that the well field for Zone J would be outside its boundaries within the boundaries of the District.

Other Government Structure Options:

While the discussion of some government structure options may be theoretical, a service review should address possible options.

- Expansion of the District to encompass the entirety of its sphere. This option has the District as the responsible entity for providing service to the area, and would include the dissolution of County Service Area 70 Improvement Zone J (Zone J). Additionally, this option would make the District ineligible for subsidiary status and would become an independent special district governed by an elected board.

  Zone J's contract with the California Infrastructure and Economic Development Bank (I-Bank) places restrictions on actions that could lead to a reduction in Zone J's financial viability. First, the contractual obligations of Zone J to the I-Bank may not be assumed by another entity except in connection with a transfer of the entire system and only upon prior written approval of the I-Bank. Second, Zone J cannot authorize the disposition of property constituting more than 10% of the value of its system unless an independent consultant concludes that such a disposition would not affect its ability to repay the loan. Further, Zone J cannot authorize the removal of property from the system that will result in a decrease of system revenues of more that 5% without written approval of the I-Bank. If the District annexes the entirety of Zone J, it would then succeed to the I-Bank contract.

  Given the recognition of the Oak Hills community by the County and the City of Hesperia, the historic opposition of the residents within Oaks Hills regarding annexation, and the restrictions and challenges associated with the I-Bank loan, annexation of the entirety of Zone J (Oak Hills community) seems unlikely at this time. Staff does not support this option.

- Annexation of the District to the more populated areas of Oak Hills. This option has the District annexing portions of Oak Hills, and such an application would include detachments from CSA 70 Zone J. However, as mentioned above there are restrictions with Zone J's contract with the I-Bank. To keep the integrity of the contract, an annexation application (which would include detachment from Zone J) would require an out-of-agency service contract whereby Zone J would continue to provide water service to the area.

- Dissolution of the District whereby the City would be directly responsible for providing water and sewer service. The City has not expressed its desire to pursue this option. This option would resolve some of the conflict described above regarding the limitations on detachments of CSA 70 Zone J in the future. In addition, the employees of the District are actually employed by the City and the District benefits from administration and facility use by the City. If this option were to occur, there would be no fiscal impact to the City if it absorbed the subsidiary district in relation to pass through from the Victor Valley Economic Development Authority (VVEDA).[14] However, in discussions with City staff, at this time, this option is not desired by the City.

- Maintenance of the Status Quo – in this scenario the District would continue to operate as a subsidiary district of the City of Hesperia with the City Council as the ex-officio members of the board of directors. Pursuant to Commission Policy, concurrent annexations with the City would continue to occur. This is the supported option by both LAFCO staff and the District at this time.

SPHERE OF INFLUENCE REVIEW

LAFCO staff recommends that the Commission take the action as reflected in the Community discussion of this report for a reduction in the southern sphere to exclude the territory within the Crestline-Lake Arrowhead Water Agency (338 acres), to modify the District's sphere of influence along the Mojave River south of Bear Valley Road to realign the boundary along parcel lines, and to affirm the remainder of the District's sphere of influence thereby adhering to the Commission's community definition.

LAFCO staff recommends that the Commission modify the "Rules and Regulations Affecting Special Districts" by removing the Sanitation function and its related service description for the Hesperia Water District as follows (changes identified in bold italic):

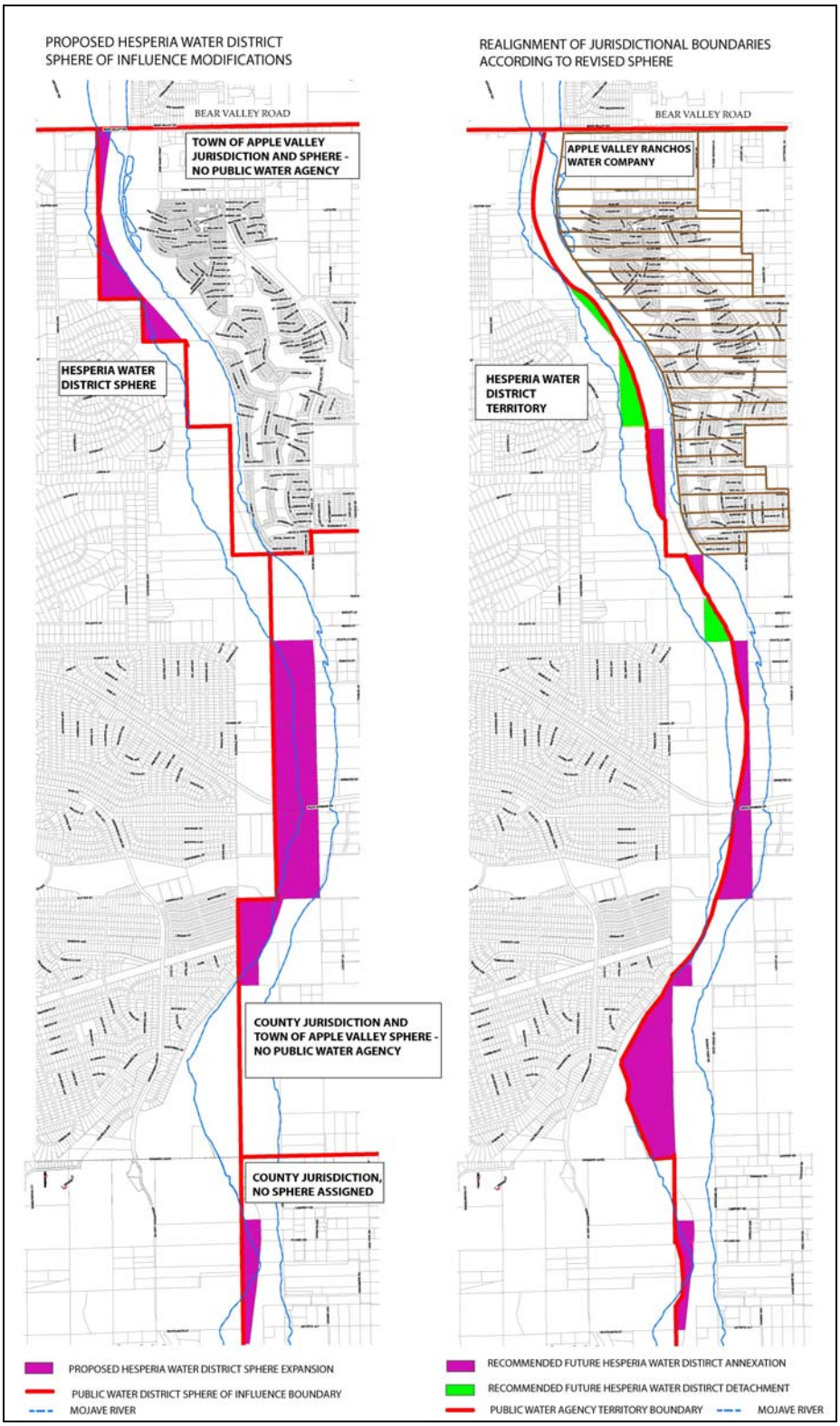
FUNCTIONS	SERVICES
Water	Wholesale, retail, agricultural, domestic replenishment
~~***Sanitation***~~	~~***Solid Waste***~~
Sewer	Engineering, planning, operations, maintenance, construction
Park and Recreation	Park and recreation and limited to trout farm, construction

[14] Victor Valley Economic Development Authority, Redevelopment Plan, Section 703(b)(i)(a).

The District's boundary currently encompasses approximately 77+/- square miles, and its sphere of influence extends an additional 35 +/- square miles. The District has indicated in the materials submitted for this review that no modifications to the existing sphere are currently anticipated. However, following LAFCO staff review, it is staff's recommendation that the Commission take three actions regarding the District's sphere, as discussed in the Community Discussion section of this report. A letter from District representatives stating no objection to the recommendations below are included as a part of Attachment #2.

- Reduction of the District's sphere of influence by approximately 338 acres to be coterminous with the Mojave Water Agency's (MWA) boundary in the Silverwood Lake area. Map included in the Community Discussion of this report and as a part of Attachment #8.

- Modification of the District's sphere of influence along the Mojave River south of Bear Valley Road to realign the boundary along parcel lines, mirroring the sphere modifications approved for the Apple Valley Community by the Commission at the September 17 hearing.



- Sphere modification along Bear Valley Road to reflect the centerline. Map included in the Community Discussion of this report and as a part of Attachment #8.

When updating a sphere of influence for a special district, the Commission is required to establish the nature, location, and extent of any functions or classes of services provided by the district (Government Code §56425(i)). Currently, the District is authorized water, sanitation, sewer, and park and recreation powers. In the materials provided for this review, District staff did not identify any modifications to its authorized powers. However, the District has not provided Sanitation (solid waste) powers since 2000 when that service was contracted to Advance Disposal. Further, this is a duplication of service authority with the City - the City already has this power as a municipality. LAFCO staff proposed to District staff the removal of Sanitation powers as an authorized function, and District staff has indicated that it has no objection (letter included as a part of Attachment #7); however, this position will need to be affirmed by the Board of Directors. LAFCO staff recommends the removal of the Sanitation function and its related service description for the District.

FACTORS OF CONSIDERATION:

The District was requested to provide information regarding the sphere of influence update as required by State law. Staff responses to the mandatory factors of consideration for a sphere of influence review (as required by Government Code Section 56425) are identified as follows:

Present and Planned Uses

Overall, the District's boundaries and sphere include the full range of densities from high density to non-developable land. Land uses also include the full range which includes open space, rural living, and residential. There are existing Williamson Act contracts within the sphere area which restrict the land uses to either open space or agriculture for a minimum period of 10 years. The City is also currently updating its General Plan, which is expected to be completed by Fall 2009 along with the City's environmental review. The landownership breakdown of the community is as follows:

Land Owner	Sq Miles	Percentage
Private	109.8	93.4
U.S. Army Corps of Engineers	4.1	3.5
US Bureau of Land Management	3.0	2.6
San Bernardino National Forest	0.5	0.4
California Dept. of Parks and Recreation	0.2	0.2
Total	**117.6**	**100.0**

Oaks Hills Community Plan

The Oak Hills Community Plan was a joint effort between the County and the City, and the Community Plan recognizes the existence of the Oak Hills community. An Advisory Committee oversaw the development of the Oak Hills Community Plan which consisted of both landowners and residents. The boundaries of the Community Plan were structured around CSA 70 Zone J. The primary intent for this area is to continue to develop homes on 2 ½ acres lots and maintain its rural character. The Oak Hills Community Plan established a Freeway Corridor to be developed with retail and job producing industrial and office uses on the large parcels adjacent to the freeway. The Community Plan also delineates open space areas within the Oro Grande Wash as well as another wash on the east side of the

freeway. These washes form buffer zones for the rural area lying outside the freeway corridor. Overall, the Oak Hills area could add an additional 12,000 persons or 4,478 dwelling units by 2030.

Summit Valley

Located south of the District within its sphere, Summit Valley is an area of significant potential growth. The City's General Plan for this area requires comprehensively planned development. The area has few paved roads and little infrastructure; therefore the preferred method of development is through the specific plan or planned development process. Since the City's incorporation in 1988, three specific plans have been approved in Summit Valley: Rancho Las Flores, Summit Valley Ranch, and Bella Mesa. These plans combine for a total of 20,000 dwelling units. Another specific plan has been submitted, but not yet processed, known as Majestic Hills, which proposes 4,000 dwelling units. Utilizing the County General Plan's 2.68 persons per household for the Desert region calculates to an additional 64,320 persons. Further, the Oak Hills Community Plan sphere area could add an additional 12,000 persons or 4,478 dwelling units by 2030 according to City staff. Combined, Summit Valley and Oak Hills could add 68,798 persons by 2030 to the present day sphere area, or 80% of the City's 2007 population.

Present and Probable Need for Public Facilities and Services

In the documents submitted for this review, the District has identified that the capital improvements planned will benefit the City, the District, and their spheres as future residents in Oak Hills and Summit Valley are expected to utilize services available in the City.

In the unincorporated sphere area, Oak Hills is limited in its growth due to the Oak Hills Community Plan designating a rural character of the area. The area is served water by CSA 70 Zone J but lacks sewer service capacity at present. There is development activity in Summit Valley but the area currently lacks the necessary infrastructure to support growth. The specific plans adopted by the City anticipate urban-type levels of services as the projects begin to develop. Given the anticipated growth within the sphere, residential projects will require the development of schools, parks, medical facilities, and police and fire services. Additionally, large scale residential projects will require all municipal level services.

Wastewater capacity will have to be expanded to meet future growth needs. Currently, VVWRA is planning to expand present sewer treatment services by adding an east regional facility and a sub-regional facility within the City. This would increase VVWRA's capacity overall and support the sewer needs of the City and the region.

The City is planning to construct three wastewater reclamation plants. The potential system also contains six reservoir sites with a combined storage volume of 10.5 million gallons, four booster pumps, and two pressure reducing stations. Outside the study area of the Plan is another 3.7 million gallon per day wastewater reclamation plant within the Rancho Las Flores development.

Present Capacity of Public Facilities and Adequacy of Public Services

Overall, current facilities and services delivered are adequate. Wastewater capacity will have to be expanded to meet future growth needs.

The 2008 Recycled Water Master Plan and 2008 Wastewater Master Plan study areas include the majority of the City but does not includes the future developments in North Summit Valley, Rancho Las Flores, and Summit Valley Ranch. The City currently does not have a recycled water system or any customers that are served with recycled or non-potable water. The City's wastewater is treated by VVWRA, and due to the distance from the wastewater reclamation plant, the City does not readily have access to recycled water from this plant.

In Oak Hills, there are limited commercial uses and there is no sewer provider. This is due to its rural nature and 2 ½ acre minimum size lots. In Summit Valley, there is no current water or sewer service and other municipal type services are located in Hesperia. However, there are developments and the water and sewer services are provided on-site.

Social and Economic Communities of Interest

The City of Hesperia is the core of the social and economic community of interest for the Hesperia community. Within the unincorporated sphere, there are two distinct social communities. The Oak Hills Community Plan recognized the existence of the Oak Hills community through the appointment of an Advisory Committee that oversaw the development of the Community Plan. The other community is Summit Valley which includes the specific plans adopted by the City which will guide development in the future. The majority of the community is within the Hesperia Unified School District with the area west of Interstate 15 being within the Snowline Joint Unified School District.

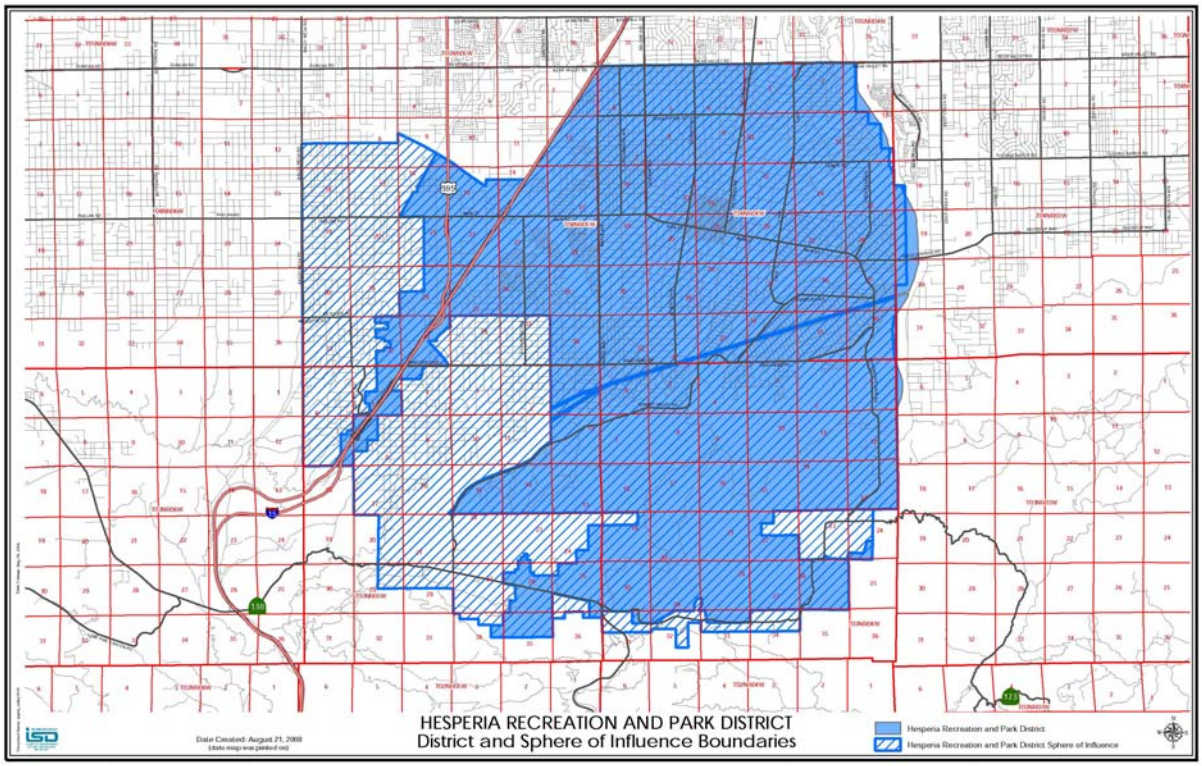
In addition, the Mojave River presents an easily definable boundary for service delivery; however, its present location splits parcels. LAFCO staff is recommending that a sphere of influence amendment be approved to align the sphere of influence/community definition along the parcels recognizing their service relationship.

HESPERIA RECREATION AND PARK DISTRICT
Municipal Service Review and Sphere of Influence Update

INTRODUCTION:

LAFCO 3010 consists of a municipal service review pursuant to Government Code Section 56430 and sphere of influence update to include a sphere modification pursuant to Government Code 56425 for the Hesperia Recreation and Park District (District). The District's response and supporting materials are included as Attachment #9 to this report and are briefly summarized in the information below.

The District is an independent special district that was formed in 1957 as a county park, recreation, and parkway district. In 1977, it was reorganized as a park and recreation district providing park and recreation and streetlighting services. In 2001, SB 707 sponsored by the Senate Local Government Committee rewrote Recreation and Park District law (Public Resources Code Section 5780 et seq.), eliminating streetlighting as an authorized service. In order to recognize the service provided by the District a special provision was included within SB 707, Public Resources Code §5786.7(c), that allows the Hesperia Recreation and Park District to provide streetlighting facilities and services. The District currently comprises approximately 85 square miles and is currently authorized by LAFCO to provide streetlighting and park and recreation services. Below is a map of the District's current boundaries and sphere, a copy of which is also included as a part of Attachment #9.



BOUNDARIES:

The District has a different boundary than the City of Hesperia, but its sphere of influence is coterminous with the City's sphere. The service review and sphere study area includes the corporate boundaries of the City and the unincorporated communities of Oak Hills and Summit Valley. The study area is generally east of the Phelan Piñon Hills Community Services District, south of the City of Victorville (as the successor to the former Victorville Recreation and Park District in 2008), west of the Town of Apple Valley, and north of the National Forest. The area is generally bordered by a combination of the Phelan Piñon Hills Community Services District, section lines and half section lines on the west; a combination of Mesa Road and the City of Victorville on the north; a combination of the centerline of the Mojave River and section and half-section lines on the east; and a combination of half-section lines and parcel boundaries which traverse along the courses of Highway 173 and 138 on the south.

As discussed in this report, LAFCO staff is recommending minor modifications to the District's sphere of influence along its eastern boundary to clarify service delivery along the Mojave River generally following parcel lines south of Bear Valley Road and a sphere reduction of approximately 338 acres in the Silverwood Lake area.

MUNICIPAL SERVICE REVIEW SUMMARY

The District prepared a service review consistent with LAFCO's policies and procedures and the factors required by Government Code Section 56430. The District's response to LAFCO's original and updated requests for materials includes, but is not limited to, the District's financial reports and master plan.

Growth and population projections for the affected area.

The District's jurisdiction is larger than the City of Hesperia's jurisdictional boundaries by approximately 11 square miles. The sphere of influence is coterminous with the City's sphere, which includes the unincorporated communities of Oak Hills and Summit Valley. Given that the District's populated areas are generally the same as the City's and both agencies have generally coterminous spheres, the growth and population projections for the City are used for the District and are not reiterated here.

Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.

The primary operating document that the District utilizes for park and recreation planning is the Park and Recreation Master Plan. The Plan was originally implemented in 1988 and is updated every two years with the last update in 2006 (included as a part of Attachment #9). The goals of the Plan guide the general direction and intent of the District, and are listed as follows:

- To acquire and reserve land for park and recreation opportunities, facilities, and natural open space use.

- To be in concert with other local agencies, to work toward preservation of significant ecological, scenic, cultural, historical, and natural resources within the District.
- To accompany the Master Plan with financial planning for the timely acquisition, design, development, operation, and maintenance of all facilities.
- To keep flexible the location, size, and design of facilities in order that they may be readily available to the changing requirements of the population.
- To foster satisfying activities for all ages and cultural groups, particularly children, youth, seniors, and family participation.
- Re-contact outlying areas in the sphere of influence of the District. Conduct a public meeting to determine their needs and if a master plan is necessary.

The District has 15 regular full-time, 30 contract, and 145 temporary, seasonal, or part-time employees. The District provides the full range of park and recreation activities including neighborhood and community parks, sports fields, trails, bicycle track, campgrounds, a community center, gymnasiums, picnic area, and a swimming pool. Combined, it has about 323 acres of parkland. In addition to facilities, the District offers classes and programs such as movies in the park, run/walk events, after school programs, summer camp, and programs and events for seniors. A map of the District's facilities is included as a part of Attachment #9.

According the District's 2006 Master Plan Update, it has 323 acres of parkland. Pursuant to the Quimby Act, a minimum of three acres per thousand population should be dedicated for recreational and/or open space purposes. Utilizing the 2007 population and total developed park acreage, the District surpasses the Quimby Act standard. Going beyond the Quimby Act standard, the Plan's major guideline is a developed park standard set at 5 acres per 1,000 residents, which is consistent with the City's General Plan. The District states that the 5 acre standard breaks down to about two acres being neighborhood park and three acres being community or district parks and facilities. The District does not meet its own standard of 5 acres of parkland per 1,000 residents by an estimated 106 acres. Nonetheless, it adequately meets the Quimby Act standard and plans to add additional facilities to meet future growth.

The District indicates that it does not provide services within its sphere of influence; however, some residents within the sphere utilize District facilities and programs, such as ballfields for Little League, etc. Continued population growth in the sphere areas will increasingly stress the District's programs and facilities as non-residents utilize them, driving the need for facilities and services within those areas. The District has identified several projects estimated for completion within the next few years. These projects include the additions of two gymnasiums, six to ten baseball fields, eight to twelve soccer facilities, tennis facilities, and bike areas and walkways. A detailed listing of the planned new facilities and improvements is included in the Park Master Plan Update. The major projects recently completed or close to completion are:

- Hesperia Community Park restroom upgrades – estimated cost of $286,000, anticipated for completion within one year.

- According to City of Hesperia staff, the City owns the land for the last two parks constructed, Malibu Park and Civic Plaza. The land for each park is then leased to the Hesperia Recreation and Park District (District) for one dollar per year.

    - Hesperia Civic Plaza Park (Downtown Community Park) – located just west of City Hall, completed in June 2008 in cooperation with the City. The park has an amphitheater, walking paths, a reflection garden, water features, and activity areas. It was constructed with City and District and its opening coincided with the 20th Anniversary of the City's incorporation. LAFCO staff is aware that the City and the District are discussing options for the ongoing maintenance of the Park, which include the City maintaining ownership and the District performing maintenance and upkeep.

    - Malibu Park – construction completed by the developer of the Mission Crest Project by Empire, which was conditioned by the City as a part of development approval. The park is located between Interstate 15 and Escondido Avenue, south of Main Street.

- Hesperia Lake Community Building construction – currently in process, anticipated for completion by end of 2008. The property where the Community Building is located is owned by the Hesperia Water District, and the Community Building and museum renovation/expansion project is being funded wholly by the District.

Streetlighting

Since its formation the District has operated and maintained the streetlights within the community. The District was formed in 1957 as a county park, recreation, and parkway district. As a county park, recreation, and parkway district, the District was authorized to provide streetlighting services. In 1977, it was reorganized as a park and recreation district providing park and recreation and streetlighting services. In 2001, SB 707 sponsored by the Senate Local Government Committee rewrote Recreation and Park District law (Public Resources Code Section 5780 et seq.), eliminating streetlighting as an authorized service. In order to recognize the service provided by the District, a special provision was included within SB 707, Public Resources Code §5786.7(c), that allows the Hesperia Recreation and Park District to provide streetlighting facilities and services. The District currently comprises approximately 85 square miles and is currently authorized by LAFCO to provide streetlighting and park and recreation services. The District operates 1,449 streetlights which are owned by Southern California Edison. Operations of the streetlights are paid by the District with funding from one or a combination of funding sources – the District's Assessment District #1 and/or Landscape, Lighting and Maintenance Assessment districts.

Currently, the streetlights are adequate to serve the community. The majority of the streetlights are located within the City with some within unincorporated County jurisdiction. The County has a Night Sky Ordinance[15], which has a purpose to encourage outdoor lighting practices and systems that will minimize light pollution, conserves energy, and curtail the degradation of the nighttime visual environment, minimizing the requirement for

[15] County of San Bernardino. Development Code, Chapter 83.07. Ordinance 4011 (2007).

streetlighting in the unincorporated area. There are, however, signal lights atop of the traffic signals that illuminate the intersections maintained by County Transportation. Future developments may require public streetlights for major intersections for public safety purposes.

Financial ability of agencies to provide services.

A review of the District's financial data, which includes its budgets and audits, indicates that the District receives adequate revenue to support its operations. However, development related fees are anticipated to decrease and property tax revenues are anticipated to remain level or nominally increase. This will affect the purchasing power of the District in acquisition of land or facility building for the future.

Funds

The District operates with four major funds:

- General Fund – the District's primary operating fund
- Assessment District #1 Fund (special assessment fund) -- district-wide assessment provides funding for streetlighting and augmented park and recreation services
- Developer Fee Fund – City A special assessment fund
- Foundation Fund – a component unit which maintains the activity for various sporting and recreational activities in the City of Hesperia.

Budget

Revenue and Expenditures

The District's primary sources of revenue are from its share of the general levy tax, its assessment districts, developer fees, City of Hesperia pass through, and user charges. The District also receives grants to help pay for its capital projects and improvements. For example, the District received a matching grant of $200,000 from the State to add a picnic area with facilities to the Palm Street Park.

The District has two assessment districts:

- Assessment District #1 – This is a district wide assessment of $64 per developed parcel or $30 per vacant parcel for streetlighting and augmented park and recreation services. The distribution of this fund is as follows: For undeveloped parcels $30 to park operations; for developed parcels $60 to park operations, $4 to streetlighting operations.

- Assessment District #2 (a through y1) – There are over 35 individual assessment districts. These individual districts pertain to a specific development project of either the City or County to condition public landscaping,,park maintenance or additional streetlights as determined by City or County development standard.

The City of Hesperia collects development fees that are passed through to the District currently set at $5,336 per unit. Development fees, as with other special revenue sources, are not used for uses other than its intended purpose. According to District staff, the County used to collect development fees for parks at $734 per unit. District staff further states that they have not received any Quimby Act Fees from the County in over a year and the County has not been conditioning development proposals for the payment of park development fees. LAFCO staff confirmed with County Land Use Services staff that the District currently does not and has not with the past two years received park development fees. LAFCO staff recommends that the District work with the County Land Use Services Department, Current Planning, and Building and Safety representatives to remedy this situation.

Pass-through is received from the Victor Valley Economic Development Authority. The amount received has increased sharply over the past few years. The amount received in 2005 was $23,610 and in 2007 was $65,538.

Salaries and Benefits for FY 2008-09 are budgeted at $4.3 million for the District's 15 regular full-time, 30 contract, and 145 temporary, seasonal, or part-time employees.

Reserves

For the FY 2008-09 Budget, total reserves for the Operating fund and Assessment District #1 fund are at 5% and 11% of operating expenses, respectively.

Audit

The District's audits account for the District itself and its component unit, the Hesperia Area Recreation District Foundation[16]. For FY 2005-06, the District's total net assets increased 17% to $25.6 million). Unrestricted net assets (day-to-day operations) decreased by $518,706 as a result of additional positions budgeted to meet anticipated service requirements, increased fuel cost, and capital improvement cost of $4.1 million. The District made substantial infrastructure improvements without immediate revenue streams, and the revenue streams are anticipated for receipt in FY 2006-07. Total revenues increased 10% over the previous year, attributed to receipt of grant funding ($724,172) and increases in property tax receipts and developer fees ($2.9 million). The most significant expenditure increase was for facility development and improvement ($2.5 million).

[16] The Hesperia Recreation District Foundation was established for the purpose of providing recreational activities and education to the residents of the City of Hesperia. To this end, the Foundation operates activities at Hesperia Lake, including camping, fishing, and the Lake Store. The District exercises financial control over the Foundation through approval of budgets and appointment of Foundation board members. In conformity with generally accepted accounting principles, the financial statements of the Foundation have been blended with those of the District and presented as combined financial statements. source: FY 2006-07 Audit

Long-Term Debt

The District took out a note payable at a 6.45% interest rate per annum to purchase property for the District (10770 I Avenue). According to District staff, the loan matures in 2010 with annual payments of $71,760 until 2010.

Status of, and opportunities for, shared facilities.

The District participates with the City of Hesperia and the Hesperia Unified School District to coordinate joint uses of facilities and projects. The District states that this coordination saves revenue through joint-use of facilities.

The Hesperia Lake is within the boundaries of the Hesperia Water District, which actually owns the Lake. Through agreement, the Hesperia Recreation and Park District is allowed to provide recreation programs at the site which include water classes and summer camp.

According to City of Hesperia staff, the City owns the land for the last two parks constructed, Malibu Park and Civic Plaza. The land for each park is then leased to the Hesperia Recreation and Park District (District) for one dollar per year.

- Hesperia Civic Plaza Park (Downtown Community Park) – located just west of City Hall, completed in June 2008 in cooperation with the City. The park has an amphitheater, walking paths, a reflection garden, water features, and activity areas. It was constructed with City and District funds and its opening coincided with the 20th Anniversary of the City's incorporation. LAFCO staff is aware that the City and the District are discussing options for the ongoing maintenance of the Park, which include the City maintaining ownership and the District performing maintenance and upkeep.

- Malibu Park – construction completed by the developer of the Mission Crest Project by Empire, which was conditioned by the City as a part of development approval. The park is located between Interstate 15 and Escondido Avenue, south of Main Street.

Accountability for community service needs, including governmental structure and operational efficiencies.

Local Government Structure and Community Service Needs

The District is an independent special district and is governed by five board members elected at large to four-year staggered terms. District Board meetings are held the second Wednesday of the month at 7:00 p.m. at the Lime Street Park Community Center. Below is the composition of the current board, their positions, and terms of office:

Board Member	Title	Term
Richard Lupton	President	2010
Bob Chandler	Vice President	2008
Jack Hamilton *	Director	2008
Mike Limbaugh	Director	2010
Rebekah Swanson	Director	2010

* Jack Hamilton was appointed by the Board on 1-10-07 to replace Thurston Smith who was elected to the City of Hesperia Council.

The Hesperia Recreation District Foundation is the non-profit arm of the District. The District states that it allows business to operate under the Foundation guidelines and exists to run programs and pay bills more effectively than a government entity. The Foundation operates activities at Hesperia Lake, including camping, fishing, and the Lake Store. The District exercises financial control over the Foundation through approval of budgets and the Foundation is a component unit in the District's audit. Foundation members are appointed by the District's board of directors to a one-year term which expires in December. Below is the composition of the current Foundation Board:

Board Member	Title
Gary Drylie	President
Carol Hill	Vice President
Jeanee Helsley	Member
Percy Bakker	Member
Charlene Peters	Member

Operational Efficiency

The District participates with other agencies to maximize operational efficiencies such as:

- California Association for Park and Recreation Insurance (CAPRI), a liability insurance pool administered by the California Association for Recreation and Park Districts. This organization also coordinates the legislative activities of its members and is the legislative advocate of its members.
- Park and Recreation District Employee Compensation, a worker's compensation insurance program administered by the California Association for Recreation and Park Districts.
- City of Hesperia to plan the new Downtown Community Park. The Park has an amphitheater, walking paths, a reflection garden, water features, and activity areas to address a more urban park need. The park was opened in the summer of 2008.
- The District has been allowed to participate in the County of San Bernardino's retirement program, the San Bernardino County Employees' Retirement Association.
- To reduce labor costs, the District utilizes volunteers for many of its programs, and office and maintenance assistance.

Government Structure Options

There are two types of government structure options:

1. Areas served by the agency outside its boundaries through "out-of-agency" service contracts;

2. Other potential government structure changes such as consolidations, reorganizations, dissolutions, etc.

Out-of-Agency Service Agreements:

The District has indicated that it does not currently provide service outside its boundaries. However, the residents of Oak Hills and Phelan utilize the District's facilities.

Other Government Structure Options:

The District, in the materials provided for this review, indicated no change to its current structure at this time. While the discussion of some government structure options may be theoretical, a service review should address possible options.

- Expansion of the District to encompass the entirety of its sphere. According to the District, non-resident use places strains on current facilities. The expansion of the District to encompass the entire sphere may not provide immediate or short-term future benefits because much of the land proposed for development has not been subdivided (the assessments are by the parcel) and the District would be the responsible agency to provide park and recreation services. However, expansion to include the residential portions of its sphere would provide benefit to the District and the residents in these areas. The district-wide assessment which would be extended through the annexation process would help alleviate the strain on current facilities.

- Establishment of the Hesperia Recreation and Park District becoming a subsidiary district of the City. In 1994, AB 1335 gave LAFCO the authority to initiate reorganizations of special districts. In response to this new legislative authority, San Bernardino LAFCO drafted a list of 30 potential reorganizations that were possible under these provisions. This option was one of the potential reorganizations discussed at that time. In order for the District to become a subsidiary district of the City, a least 70 % of the registered voters in the District must reside in the City and at least 70% of the District's territory must also be within the boundaries of the City. LAFCO staff has verified that both requirements are currently satisfied. Therefore, the District is eligible for establishment as a subsidiary district of the City. In order for subsidiary status to be established, in addition to the requirement described above, an application would need to be submitted to LAFCO requesting the change and providing for a plan for services.

According to the materials provided by the City for its service review, at the present time neither the City Council nor the District Board has taken a formal position regarding this possibility. As the City indicates in the materials, similar to the City's water and fire subsidiary districts, the City could provide administrative and other support functions, as well as reduce duplicative administrative efforts. Property taxes collected for the Park District would continue to be used for park acquisition, development and maintenance. This option is viable and would reduce redundancies in planning, as the District and City already coordinate on joint-use of facilities and future park sites, and provide for economies of scale.

- Maintenance of the Status Quo – in this scenario the District would continue to operate as an independent special district. The District recommends that no change in structure take place because the District is responsive to the needs of the community and potentially park services can become a low priority in a municipality.

SPHERE OF INFLUENCE REVIEW

LAFCO staff recommends that the Commission take the action as reflected in the Community discussion of this report for a reduction in the southern sphere to exclude the territory within the Crestline-Lake Arrowhead Water Agency (338 acres), to modify the District's sphere of influence along the Mojave River south of Bear Valley Road to realign the boundary along parcel lines, and to affirm the remainder of the District's sphere of influence, thereby adhering to the Commission's community definition.

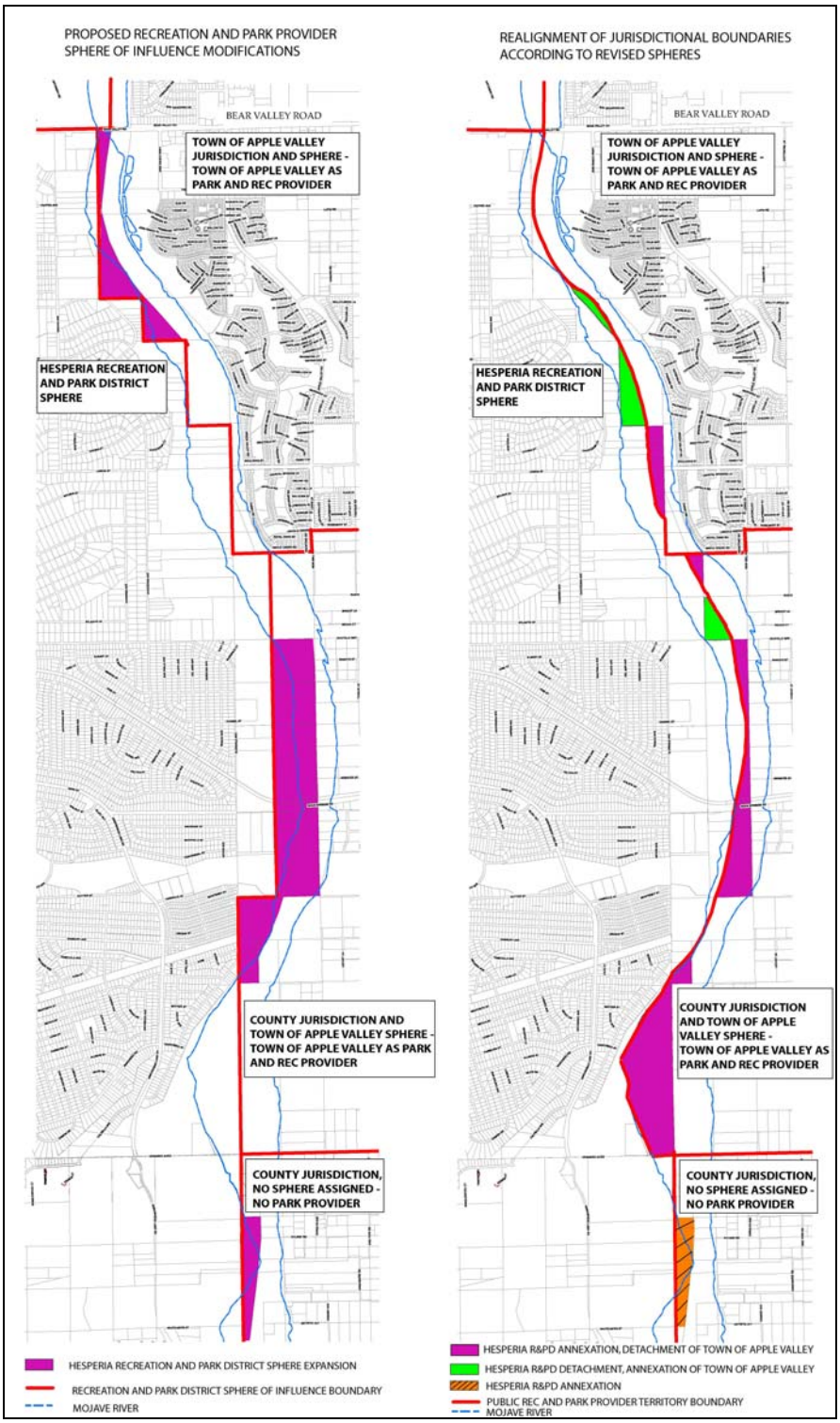
LAFCO staff recommends that the Commission affirm the "Rules and Regulations Affecting Special Districts" for the Hesperia Recreation and Park District as follows:

FUNCTIONS	SERVICES
Park and Recreation	Local park development, operation, recreation
Streetlighting	Streetlighting

The District's boundary currently encompasses approximately 85 +/- square miles, and its sphere of influence extends an additional 27 +/- square miles. The District has indicated in the materials submitted for this review that no modifications to the existing sphere are currently anticipated. However, following LAFCO staff review, it is staff's recommendation that the Commission take three actions regarding the City's sphere, as discussed in the Community Discussion section of this report. Letters stating no objection to the recommendations below are included as a part of Attachment #2.

- Reduction of the City's sphere of influence by approximately 338 acres to be coterminous with the Mojave Water Agency's (MWA) boundary in the Silverwood Lake area. Map included in the Community Discussion of this report and as a part of Attachment #9.

- Modification of the City's sphere of influence along the Mojave River south of Bear Valley Road to realign the boundary along parcel lines, mirroring the sphere modifications approved for the Apple Valley Community by the Commission at the September 17 hearing.



- Sphere modification along Bear Valley Road to reflect the centerline. Map included in the Community Discussion of this report and as a part of Attachment #9.

When updating a sphere of influence for a special district, the Commission is required to establish the nature, location, and extent of any functions or classes of services provided by the district (Government Code §56425(i)). Currently, the District is authorized park and recreation and streetlighting powers. Neither LAFCO staff nor the District request modification to the Districts authorized powers. Therefore, LAFCO staff recommends the Commission affirm the District's currently authorized powers as outlined above.

FACTORS OF CONSIDERATION:

The District was requested to provide information regarding the sphere of influence update as required by State law. Staff responses to the mandatory factors of consideration for a sphere of influence review (as required by Government Code Section 56425) are identified as follows:

Present and Planned Uses

Overall, the District's boundaries and sphere include the full range of densities from high density to non-developable land. Land uses also include the full range which includes open space, rural living, and residential. There are also Williamson Act contracts in the sphere area which restrict the land uses to either open space or agriculture for a minimum period of ten years. A stated goal of the District is to reserve land for open space and recreational activities. The landownership breakdown of the community is as follows:

Land Owner	Sq Miles	Percentage
Private	109.8	93.4
U.S. Army Corps of Engineers	4.1	3.5
US Bureau of Land Management	3.0	2.6
San Bernardino National Forest	0.5	0.4
California Dept. of Parks and Recreation	0.2	0.2
Total	**117.6**	**100.0**

Oaks Hills

The Oak Hills Community Plan was a joint effort between the County and the City, and the Community Plan recognizes the existence of the Oak Hills community. An Advisory Committee oversaw the development of the Oak Hills Community Plan which consisted of both landowners and residents. The boundaries of the Community Plan were structured around CSA 70 Zone J. The primary intent for this area is to continue to develop homes on 2 ½ acres lots and maintain its rural character. The Oak Hills Community Plan established a Freeway Corridor to be developed with retail and job producing industrial and office uses on the large parcels adjacent to the freeway. The Community Plan also delineates open space areas within the Oro Grande Wash as well as another wash on the east side of the freeway. These washes form buffer zones for the rural area lying outside the freeway corridor. Overall, the Oak Hills area could add an additional 12,000 persons by 2030.

Within Sphere of Influence

Located south of the City within its sphere, Summit Valley is an area of significant potential growth. The City's General Plan for this area requires comprehensively planned development. The area has few paved roads and little infrastructure; therefore the preferred method of development is through the specific plan[17] or planned development process. Since the City's incorporation in 1988, three specific plans have been approved in Summit Valley: Rancho Las Flores, Summit Valley Ranch, and Bella Mesa. These plans combine for a total of 20,000 dwelling units. Another specific plan has been submitted, but not yet processed, known as Majestic Hills, which proposes 4,000 dwelling units. Further, the Oak Hills Community Plan sphere area could add an additional 12,000 persons (4,478 dwelling units) by 2030 according to City staff. Together, all four specific plans and Oak Hills could add 28,478 dwelling units. Utilizing the County General Plan's 2.68 persons per household for the Desert region calculates to an additional 76,321 persons.

The Rancho Las Flores project is anticipated to construct park facilities for the development. A community facilities district and/or Landscape Maintenance District will fund operation of the facilities and open space.

Present and Probable Need for Public Facilities and Services

In the unincorporated sphere area, Oak Hills is limited in its growth due to the Oak Hills Community Plan designating a rural character of the area. There is development activity in Summit Valley but the area currently lacks the necessary infrastructure to support growth. The specific plans anticipate urban-type levels of services as the population increases. Given the anticipated growth within the sphere, residential projects will require the development of schools, parks, medical facilities, and police and fire services. Additionally, large scale residential projects will require all municipal level services.

The District indicates that it does not provide services within its sphere of influence; however, some residents within the sphere utilize District facilities and programs. Continued population growth in the sphere areas will increasingly stress the District's programs and facilities as non-residents utilize them, driving the need for facilities and services within those areas.

Present Capacity of Public Facilities and Adequacy of Public Services

Overall, current facilities and services delivered are adequate. The District provides the full range of park and recreation activities including neighborhood and community parks, sports fields, trails, bicycle track, campgrounds, a community center, gymnasiums, picnic area, and a swimming pool. Combined, it has about 323 acres of parkland. In addition to facilities, the District offers classes and programs such as movies in the park, run/walk events, after school programs, summer camp, and programs and events for seniors.

[17] The Specific Plan is just a step below the general plan in the land use approval hierarchy, and is used for the systematic implementation of the general plan for particular geographical areas. source: Curtin, Daniel, J. and Cecily T. Talbert. California Land Use and Planning Law. Solano Press Books. Point Area, CA (2005). See also Government Code §65450 et seq.

According the District's 2006 Master Plan Update, it has 323 acres of parkland. Pursuant to the Quimby Act, a minimum of three acres per thousand population should be dedicated for recreational and/or open space purposes. Utilizing the 2007 population and total developed park acreage, the District surpasses the Quimby Act standard.

Social and Economic Communities of Interest

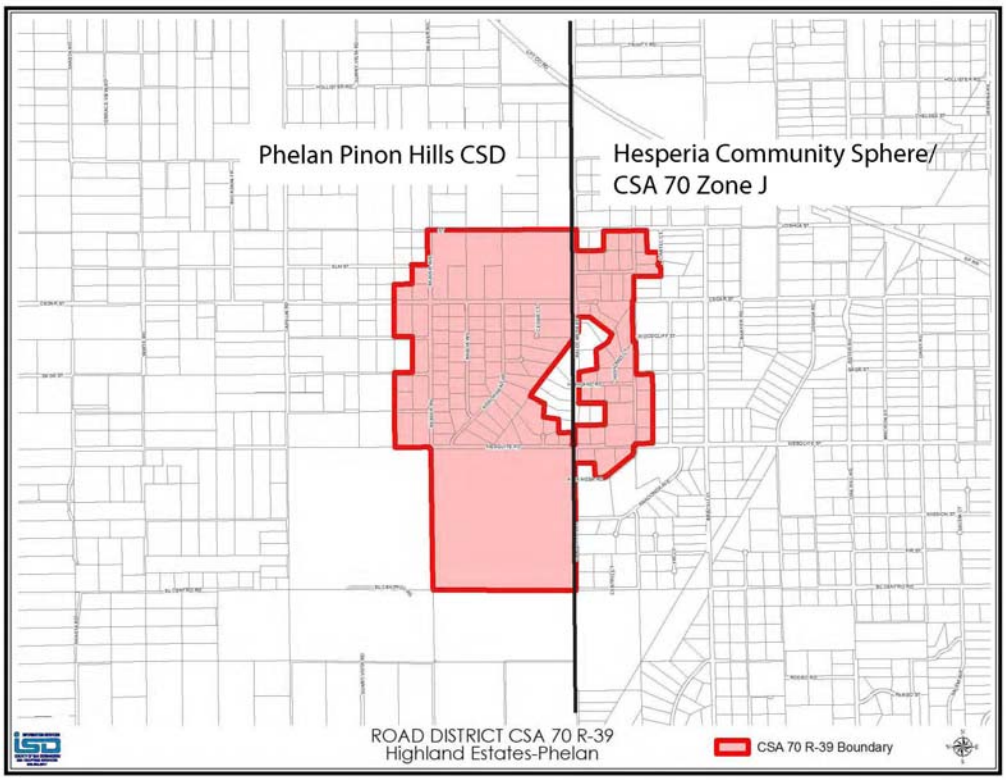
The City of Hesperia is the core of the social and economic community of interest for the Hesperia community. Within the unincorporated sphere, there are two distinct social communities. The Oak Hills Community Plan recognized the existence of the Oak Hills community through the appointment of an Advisory Committee that oversaw the development of the Community Plan. The other community is Summit Valley and is much smaller. The specific plans for this area will guide development in the future. The majority of the community is within the Hesperia Unified School District with the area west of Interstate 15 being within the Snowline Joint Unified School District.

In addition, the Mojave River presents an easily definable boundary for service delivery; however, its present location splits parcels. LAFCO staff is recommending that a sphere of influence amendment be approved to realign the sphere of influence/community definition along the parcels recognizing their service relationship.

COUNTY SERVICE AREA 70
IMPROVEMENT ZONE R-39 (Highland Estates)

INTRODUCTION:

The Board of Supervisors formed County Service Area 70 Improvement Zone 39 (R-39) in 2000, with mailed ballot majority approval from the landowners of the developed area, to provide road improvement and maintenance. R-39 is a board-governed entity that is administered by the County Special Districts Department consisting of 4.5 miles of road for maintenance. The majority of R-39 lies within the Phelan community, with a portion extending into the Hesperia community. This municipal service review will consist of the entirety of R-39. R-39 is not under LAFCO purview, therefore only a municipal service review is provided. A map of R-39 is shown below and is included in Attachment #10.



MUNICIPAL SERVICE REVIEW SUMMARY

LAFCO has no direct jurisdiction over R-39; therefore, only Municipal Service Review information is provided. The Special Districts Department responded to LAFCO staff's request for information by providing budgets, audits, and formation documents, which are included as a part of Attachment #10 and summarized below.

Growth and population projections for the affected area.

Growth is not anticipated to be significant within its current boundaries of 564 acres. Expansion beyond the existing area of R-39 would require support from the landowners to annexation. LAFCO has no jurisdiction over such an expansion.

Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.

Special Districts Department maintains 13 roads, encompassing 4.5 miles, within R-39. There are 114 parcels within the District boundaries with 110 existing units. Road maintenance activity occurs as needed, and there are no known improvement plans for R-39.

The Traffic Division of the County Public Works Department has verified that the roads within R-39 are not County maintained roads. A review of the tract and parcel maps identifies that the owner of the development dedicated an easement to the County and the public in general for public roads and public utility purposes for 11 of the 13 roads. However, the County rejected the easements for nine of the roads.

Financial ability of agencies to provide services.

The primary source of revenue is the annual $405 assessment per parcel that is charged to the 110 parcels. These funds pay for annual maintenance and repayment of debt.

The financial documents indicate that R-39 has a long-term debt for a County Service Area Revolving Fund loan for a road project. The loan balance as of June 30, 2007 was $398,817. The FY 2008-09 budget indicates a payment of $55,000 and that this is year six of ten for repayment of the loan. The documents received do not identify the original loan amount.

Status of, and opportunities for, shared facilities.

The Special Districts Department consolidates the administrative operations and facilities for county service areas under the auspices of CSA 70, including its numerous road districts. R-39 pays an allocated share for administration and facility use.

Accountability for community service needs, including governmental structure and operational efficiencies.

Local Government Structure and Accountability for Community Service Needs

R-39 is an improvement zone of County Service Area 70 and is governed by the County Board of Supervisors and administered by County Special District Department; it is within the political boundaries of the First Supervisorial District. R-39 does not utilize an advisory commission or municipal advisory council.

The R-39 budget is prepared as a part of the County Special Districts Department's annual budgeting process. R-39's annual budget is presented to the County Administrative Office and Board of Supervisors for review and approval.

Operational Efficiency

As a mechanism to control costs, the County of San Bernardino Special Districts Department has consolidated many of the administrative and technical functions necessary to manage the various services provided under County Service Area 70. Therefore, R-39 has no direct employees; it pays for a proportional share of salaries and benefits costs necessary to serve it; and it pays a proportional cost of the administrative functions of the County Special Districts Department**.** To pay for these functions, the FY 2008-09 Proposed Budget indicates a transfer to CSA 70 Countywide of $11,322 for management and support services ($8,661 for Salaries and Benefits and $2,661 for Services and Supplies), $1,000 to CSA 70 D-1 (Lake Arrowhead Dam) for a share of an equipment operator, and $500 to CSA 18 (Cedar Pines) for a share of a district coordinator.

Government Structure Options

There are two types of government structure options:

1. Areas served by the agency outside its boundaries through "out-of-agency" service contracts;

2. Other potential government structure changes such as consolidations, reorganizations, dissolutions, etc.

Out-of-Agency Service Agreements:

LAFCO staff is not aware of any service provided outside of R-39's jurisdiction.

Government Structure Options:

While the discussion of some government structure options may be theoretical, a service review should address possible options.

- Expansion of R-39. The improvement zone could expand to include additional territory, whereby the landowners would be assessed $405 and benefit from road maintenance. However, the portion of R-39 that extends into the Hesperia community also extends into County Service Area 70 Improvement Zone J. In March 2008, the County Board of Supervisors approved the activation of road powers for Zone J. The advisory committee for Zone J is currently working with Special Districts Department personnel to develop a road maintenance plan that would include road grading and other road improvements. Future actions would include presenting the community with a ballot measure asking if they are in favor of receiving road maintenance services and paying for these services on their tax bill.

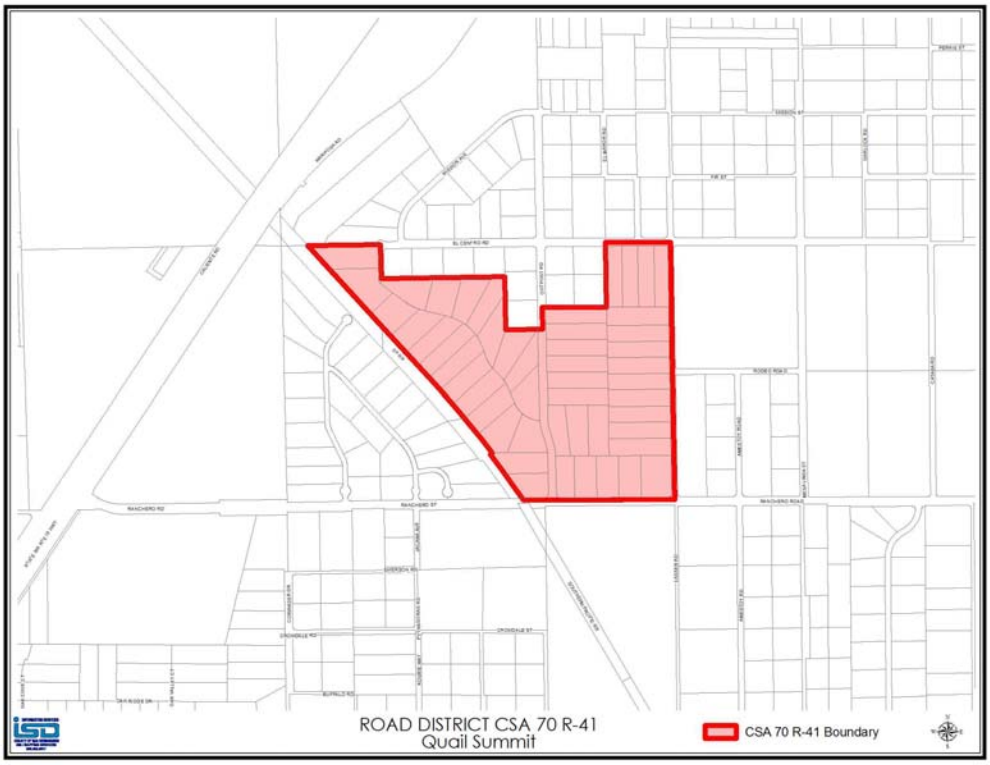
LAFCO staff is unsure as to how two overlapping improvement zones of County Service Area 70 can provide road services at the same time. Such a duplication of service would be addressed by the Special Districts Department personnel when future issues were presented to the Board of Supervisors for action.

- Maintenance of the current structure. LAFCO has no purview over R-39. However, if LAFCO received an application from the City to annex the area of its sphere that includes R-39, such an application would be processed to include the detachment of R-39, as required by law, since CSA 70 would be removed.

COUNTY SERVICE AREA 70
IMPROVEMENT ZONE R-41 (Quail Summit)

INTRODUCTION:

The Board of Supervisors formed County Service Area 70 Improvement Zone 41 (R-41) in 2002, with mailed ballot majority approval, to provide road maintenance and streetlight service to Tract 15999. R-41 is a board-governed entity that is administered by the County Special Districts Department and currently consists of approximately 1.3 miles of paved road. A map of R-41 is included in Attachment #11 and is shown below. R-41 is not under LAFCO purview, therefore only a municipal service review is provided.



MUNICIPAL SERVICE REVIEW SUMMARY

LAFCO has no direct jurisdiction over R-41; therefore, only Municipal Service Review information is provided. The Special Districts Department responded to LAFCO staff's request for information by providing budgets, audits, and formation documents, which are included as a part of Attachment #11 and summarized below.

Growth and population projections for the affected area.

Growth is not anticipated to be significant within the boundaries. R-41 was designed to serve a specific development.

Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.

Special Districts Department maintains four roads and 11 streetlights within R-41, and the improvement zone has 49 units within its boundaries of approximately 126 acres. Road maintenance occurs as needed, and there are no known improvement plans for R-41.

The Traffic Division of the County Public Works Department has verified that the roads within R-41 are not County maintained roads. A review of the tract and parcel maps identifies that the development was approved with private roads. Therefore, LAFCO staff would question the ability of the County and/or R-41, public agencies, to provide for road maintenance on private roads. This question was also discussed in LAFCO 2953 and was resolved through the acquisition of prescriptive easements for public purposes. The County recorded the easements prior to the transfer of the property to the City of Hesperia (information included in Attachment #11). LAFCO staff believes that the same option would be available to resolve the same question for R41.

Financial ability of agencies to provide services.

The primary source of revenue is the $168.49 assessment per parcel (Fiscal Year 2008-09 assessment) with an annual inflationary increase of 1.5%. These revenues fund road maintenance (slurry seal and repairs) and the annual cost for 11 streetlights.

At the end of FY 2006-07, R-41 had a fund balance of $11,505. The audits did not identify any long-term debt.

Status of, and opportunities for, shared facilities.

The Special Districts Department consolidates the administrative operations and facilities for county service areas under the auspices of CSA 70. R-41 pays an allocated share for administrative facility use.

Accountability for community service needs, including governmental structure and operational efficiencies.

Local Government Structure and Accountability for Community Service Needs

R-41 is an improvement zone of County Service Area 70 and is governed by the County Board of Supervisors and administered by County Special District Department; it is within the political boundaries of the First Supervisorial District. R-41 does not utilize an advisory commission or municipal advisory council.

R-41 budgets are prepared as a part of the County Special Districts Department's annual budgeting process. R-41's annual budget is presented to the County Administrative Office and Board of Supervisors for review and approval.

Operational Efficiency

As a mechanism to control costs, the County of San Bernardino Special Districts Department has consolidated many of the administrative and technical functions necessary to manage the various services provided under County Service Area 70. Therefore, R-41 has no direct employees; it pays for a proportional share of salaries and benefits costs necessary to serve it; and it pays a proportional cost of the administrative functions of the County Special Districts Department**.** To pay for these functions, the FY 2008-09 Proposed Budget indicates a transfer to CSA 70 Countywide of $2,106 for management and support services ($1,611 for Salaries and Benefits and $495 for Services and Supplies), $200 to CSA 70 D-1 (Lake Arrowhead Dam) for share of an equipment operator.

Government Structure Options

There are two types of government structure options:

1. Areas served by the agency outside its boundaries through "out-of-agency" service contracts;

2. Other potential government structure changes such as consolidations, reorganizations, dissolutions, etc.

Out-of-Agency Service Agreements:

LAFCO staff is not aware of any service provided outside of R-41's jurisdiction.

Government Structure Options:

While the discussion of some government structure options may be theoretical, a service review should address possible options.

- Expansion of R-41. The improvement zone could expand to include additional territory, whereby the landowners would be assessed and benefit from streetlighting services. Unless the issue of road maintenance on private roads is resolved, LAFCO staff would question the expansion of the agency

- Dissolution of R-41. LAFCO does not have purview over improvement zones. However, if the LAFCO received an application from the City to annex the area; such an application would be processed to include the dissolution of R-41, as required by law. Additionally, such an annexation application would include annexation to the Hesperia Recreation and Park District to keep with the Commission's policy of concurrent annexations of community related agencies. If annexed, the City would succeed to the road responsibility if the ownership question was resolved and the Hesperia Recreation and Park District would succeed to the streetlighting responsibility. The annual assessment would be divided between the two entities to provide funding for the ongoing service.

ADDITIONAL DETERMINATIONS

- The Commission's Environmental Consultant, Tom Dodson and Associates, has determined the changes outlined in this report for the various agencies are statutorily exempt from environmental review. Mr. Dodson's response for each of the reviews is included in their respective attachments to this report.

- Legal advertisement of the Commission's consideration has been provided through publication in *The Daily Press* through a publication of a 1/8 page legal ad and in *Hesperia Resorter,* as required by law. In accordance with Commission Policy #27, an 1/8th page legal ad was provided in lieu of individual notice because the service reviews for the community of Hesperia, in aggregate, would have exceeded 1,000 notices.

- As required by State law, individual notification was provided to affected and interested agencies, County departments, and those agencies and individuals requesting mailed notice.

- Comments from landowners/registered voters and any affected agency will need to be reviewed and considered by the Commission in making its determinations.

RECOMMENDATION:

Staff recommends that the Commission take the following actions:

1. For environmental review certify that each proposal's action is statutorily exempt from environmental review and direct the Clerk to file the Notices of Exemption within five (5) days.

2. Receive and file the municipal service reviews for the City of Hesperia, Hesperia Fire Protection District, Hesperia Water District, and Hesperia Recreation and Park District, and make the findings related to the service review required by Government Code 56430 as outlined in the staff report.

3. Continue the hearing on the Hesperia Fire Protection District and the Hesperia Water District to the November hearing to allow for Hesperia staff to provide an official position on the staff's recommended changes.

4. Take the actions to update the spheres of influence for the City of Hesperia and other agencies as identified in this report and continue the adoption of the resolutions to the November hearing on the consent calendar.

KRM/mt

ATTACHMENTS

1. Maps of Hesperia Community
    a. Victor Valley Region
    b. Current Hesperia Community
    c. Current and Proposed Development Projects

2. Recommended Sphere Reductions and Modifications
    a. Maps of Recommended Sphere Reductions and Modifications
    b. Letters from City of Hesperia and its Subsidiary Districts, Hesperia Recreation and Park District, and City of Victorville Stating No Objection to LAFCO Staff Recommended Sphere Reductions and Modifications

3. City of Hesperia
    a. Maps of City and its Sphere of Influence, Proposed Sphere of Influence Modifications, and Area Classified as "Islands"
    b. Municipal Service Review Information, and Excerpts from Financial Documents
    c. Letter from Rosenow Spevacek Group Inc. Regarding Victor Valley Economic Development Authority Pass Through Payments
    d. Response from Tom Dodson and Associates

4. Hesperia Fire Protection District
    a. Maps of District and its Sphere of Influence and Proposed Sphere of Influence Modifications
    b. Municipal Service Review Information, Excerpts from Financial Documents, and Public Safety Needs Report
    c. Response from Tom Dodson and Associates

5. Map of Regional Water and Sewer Purveyors

6. County Service Area 70 Improvement Zone J
    a. Map
    b. Municipal Service Review Information, Financial Information, 2007 Consumer Confidence Report, and Excerpts from 2002 Water Master Plan
    c. Separation Agreements
    d. Contract with California Infrastructure and Economic Development Bank

7. County Service Area 70 Improvement Zone SP-2
    a. Maps of Service Area and Original Boundaries
    b. Formation Documents and Financial Information

8. Hesperia Water District
    a. Maps of District and its Sphere of Influence and Proposed Sphere of Influence Modifications
    b. Municipal Service Review Information including Excerpts from Financial Documents and 2005 Urban Water Management Plan
    c. Response from Tom Dodson and Associates

9. Hesperia Park and Recreation District
    a. Maps of District and its Sphere of Influence, District with City Overlay, and Facility Locations
    b. Municipal Service Review Information, Excerpts from Financial Documents, and 2006 Master Plan Update
    c. Response from Tom Dodson and Associates

10. County Service Area 70 Improvement Zone R-39
    a. Map of Service Area
    b. Formation Documents and Financial Information

11. County Service Area 70 Improvement Zone R-41
    a. Map of Service Area
    b. Formation Documents and Financial Information
    c. Recorded Easement for LAFCO 2953 and Attorney General Opinion 96-405